

**PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Accountant's Review Report**

May 31, 2019 and 2018

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
TABLE OF CONTENTS

	Page(s)
Independent Accountant's Review Report	1 - 2
<i><u>Financial Statements:</u></i>	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Pennsylvania Sinfonia Orchestra
Allentown, PA 18102

We have reviewed the accompanying financial statements of Pennsylvania Sinfonia Orchestra (a not-for-profit corporation), which comprise the statements of financial position as of May 31, 2019 and 2018 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements and statement of functional expenses for the year end May 31, 2019. 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 accounting principles generally accepted in the United States of America. 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.

Accountant's 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 AICPA. 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 statement for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's 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 accounting principles generally accepted in the United States of America.

Corybell, Rappold & Yasaita LLP

February 16, 2020

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
Reviewed

	May 31,	
	2019	2018
Assets:		
Cash and Cash Equivalents	\$ 33,380	\$ 7,644
Investments	100,000	-
Accounts Receivable	1,176	850
Prepaid Expenses	1,610	1,210
Equipment, Net (Note 2)	2,300	3,450
Total Assets	\$ 138,466	\$ 13,154
 Liabilities and Net Assets:		
Liabilities:		
Accounts Payable	\$ -	\$ 1,722
Payroll Taxes Payable	1,363	1,353
Deferred Revenue	2,187	130
Line of Credit (Note 3)	-	21,000
Total Liabilities	3,550	24,205
 Net Assets:		
Without Donor Restrictions	134,916	(11,051)
Total Net Assets	134,916	(11,051)
Total Liabilities and Net Assets	\$ 138,466	\$ 13,154

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES
Reviewed

Change in Net Assets Without Donor Restrictions:	Year Ending May 31,	
	2019	2018
Public Support:		
Government Grants	\$ 11,005	\$ 11,005
Contributions:		
Foundations	173,665	38,565
Corporate	1,800	442
Board of Directors	24,359	21,329
Individuals	29,459	30,266
In-Kind	5,561	5,561
Fundraising Events (Note 5)	15,626	14,764
Total Public Support	261,475	121,932
Program Revenue:		
Concert Ticket Sales	32,633	35,353
Contracted Performances	9,792	9,527
Other Income	3,558	3,239
Interest	605	2
Total Program Revenue	46,588	48,121
Total Public Support and Program Revenue	308,063	170,053
Expenses		
Program	87,367	105,580
General and Administrative	68,001	69,582
Fundraising (Note 6)	6,728	4,725
Total Expenses	162,096	179,887
Change in Net Assets Without Donor Restrictions	145,967	(9,834)
NET ASSETS, Beginning of Year	(11,051)	(1,217)
NET ASSETS, End of Year	\$ 134,916	\$ (11,051)

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2018
Reviewed

	Program Expenses	General and Administrative	Fundraising	Year Ended May 31,	
				2019 Total	2018 Total
Salaries - Administration	\$ -	\$ 46,042	\$ -	\$ 46,042	\$ 47,038
Payroll Taxes	-	3,862	-	3,862	3,534
Total Salaries and Related Expenses	-	49,904	-	49,904	50,572
Art Auction	-	-	3,990	3,990	2,929
Plant Sale	-	-	2,738	2,738	1,796
Professional Fees	-	6,600	-	6,600	7,500
Contractual Artists Fees	57,344	-	-	57,344	71,144
Guest Artists Fees	4,100	-	-	4,100	4,500
Marketing and Promotion	12,636	-	-	12,636	14,317
Programs and Tickets	5,860	-	-	5,860	3,546
Communications	-	1,162	-	1,162	1,045
Rent	-	4,800	-	4,800	4,800
Performance Venue Rental	2,755	-	-	2,755	4,376
Insurance	-	3,485	-	3,485	2,358
Office Expenses	-	934	-	934	1,005
Postage	-	917	-	917	818
Interest	-	162	-	162	285
Licenses and Fees	1,629	-	-	1,629	4,211
Miscellaneous	1,893	37	-	1,930	3,127
Bad Debt	-	-	-	-	408
Depreciation	1,150	-	-	1,150	1,150
Total	\$ 87,367	\$ 68,001	\$ 6,728	\$ 162,096	\$ 179,887

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Reviewed

	Year Ending May 31,	
	2019	2018
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 145,967	\$ (9,834)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,150	1,150
(Increase) Decrease in Accounts Receivable	(326)	(850)
(Increase) Decrease in Prepaid Expenses	(400)	(503)
Increase (Decrease) in Accounts Payable	(1,722)	(490)
Increase (Decrease) in Accrued Payroll	-	(2,461)
Increase (Decrease) in Payroll Taxes Payable	10	
Increase (Decrease) in Deferred Revenue	2,057	(845)
Net Cash Provided (Used) by Operating Activities	146,736	(13,833)
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Investments	(100,000)	-
Net Cash Used by Investing Activities	(100,000)	-
<i><u>Cash Flows from Financing Activities:</u></i>		
Net Borrowing (Repayment) - Line of Credit	(21,000)	11,000
Net Cash Provided (Used) by Financing Activities	(21,000)	11,000
Net Increase (Decrease) in Cash and Cash Equivalents	25,736	(2,833)
Cash and Cash Equivalents, at Beginning of Year	7,644	10,477
Cash and Cash Equivalents, at Year End	\$ 33,380	\$ 7,644
<i><u>Supplemental Information:</u></i>		
Non-Cash In-Kind Contributions	\$ 5,561	\$ 5,561
Interest Paid	\$ 162	\$ 285

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Pennsylvania Sinfonia Orchestra (“Organization”) is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing a meaningful experience of music to a broad spectrum of audiences, through performances of the highest professional quality. The Pennsylvania Sinfonia Orchestra’s special purpose is to fulfill the role of the smaller orchestra, through original and imaginative programming, at times in collaboration with choral and operatic groups. Understanding the experience of music as a process of discovery, the Pennsylvania Sinfonia Orchestra seeks to share that process with its audience, both in concert and through educational outreach.

Tax Status

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of May 31, 2019 and 2018, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization files Federal Form 990, *Return of Organization Exempt from Income Tax*, with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania.

Basis of Accounting

The 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 Asset Classifications

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Net assets are defined as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net Asset Classifications (Continued)

Net Assets With Donor Restrictions

Net assets subject to donor or certain 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. 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.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Materials and Services

The Organization has recorded in-kind contributions of \$5,561 for both years ended May 31, 2019 and 2018, for the volunteer services of the bookkeeper. Also, donated materials are reflected as contributions at their estimated values at date of receipt.

The Organization also receives donated services from a variety of unpaid volunteers. No amounts have been reflected in the statements for contributed services inasmuch as no objective basis is available to measure the value of such services.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes property and equipment over \$250. 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 estimated useful lives ranging from five to thirty years.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization's checking and money market accounts are considered cash.

Advertising Costs

Advertising costs are expensed as incurred and were \$12,636 and \$14,317 during the years ended May 31, 2019 and 2018, respectively.

Accounting Standard Adopted in the Current Year

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. Changes to these financial statements as a result of the adoption of this ASU are:

- Unrestricted net assets are renamed net assets without donor restrictions
- A footnote discussing the Organization's liquidity and availability of resources was added, see Note 6
- Present a statement of functional expenses with expenses by both their natural classification and functional classification

2. Property and Equipment

	May 31,	
	2019	2018
Office Equipment	\$ 3,187	\$ 3,187
Marionettes, Right of Use	11,500	11,500
Total	14,687	14,687
Less: Accumulated Depreciation	(12,387)	(11,237)
Property and Equipment, Net	\$ 2,300	\$ 3,450

Depreciation charged to expense was \$1,150 in both 2019 and 2018.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

3. Line of Credit

The Organization has a \$30,000 unsecured working capital line of credit with a bank. Interest on outstanding borrowings was payable monthly at the bank's variable prime rate, 5.50% and 5.00% at May 31, 2019 and 2018, respectively. The line expires July 15, 2020.

Interest paid and expensed was \$162 and \$285 in 2019 and 2018, respectively.

4. Operating Lease

The Pennsylvania Sinfonia Orchestra leases office space under a month-to-month lease at \$400 per month. Rent expense was \$4,800 for both 2019 and 2018.

5. Fundraising Events

The Organization's fundraising events are summarized as follows:

	Art Auction	Plant Sale	Total
<u>2019</u>			
Gross Revenue	\$ 10,277	\$ 5,349	\$ 15,626
Direct Expenses	(3,990)	(2,738)	(6,728)
	\$ 6,287	\$ 2,611	\$ 8,898
<u>2018</u>			
Gross Revenue	\$ 11,219	\$ 3,545	\$ 14,764
Direct Expenses	(2,929)	(1,796)	(4,725)
	\$ 8,290	\$ 1,749	\$ 10,039

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2019 and 2018

6. Liquidity and Availability

The following table reflects the Organization's financial assets as of May 31, 2019 that are available to meet general expenditures within one year of the statement of financial position date.

Financial assets at year-end:

Cash and Cash Equivalents	\$ 33,380
Investments	100,000
Accounts Receivable	<u>1,176</u>
	<u>\$ 134,556</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization manages resources to operate with a balanced budget and anticipates collecting sufficient program and contribution revenue to cover general expenditures not covered by donor-restricted resources. The Organization also has a line of credit with a bank (see Note 3) in the event of short-term cash needs.

7. Subsequent Events

Subsequent events have been evaluated through February 16, 2020 the date the financial statements were available to be issued.