

**Harrisburg Symphony  
Association, Inc.**

Financial Statements and  
Supplementary Information

Years Ended June 30, 2016 and 2015  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **HARRISBURG SYMPHONY ASSOCIATION, INC.**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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### Independent Auditor's Report

Board of Directors  
Harrisburg Symphony Association, Inc.

We have audited the accompanying financial statements of Harrisburg Symphony Association, Inc. (Association), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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.

#### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Harrisburg Symphony Association, Inc.  
Independent Auditor's Report  
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2016 and 2015, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of spending requirements on pages 24-25, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
November 1, 2016

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 744,900	\$ 438,925
Temporarily restricted	4,288	32,050
Investments - unrestricted	307,240	302,588
Current portion of pledges receivable - net:		
Unrestricted	102,435	7,000
Temporarily restricted	20,400	-
Permanently restricted	20,334	57,684
Other receivables, net of allowance of \$48,192 and \$49,835 at June 30, 2016 and 2015, respectively	60,935	55,133
Prepaid expenses	179,749	146,143
Total current assets	<u>1,440,281</u>	<u>1,039,523</u>
Property, equipment, and music accessories - net	<u>24,283</u>	<u>19,394</u>
Other assets:		
Cash and cash equivalents - permanently restricted	467,319	174,181
Investments - permanently restricted	5,767,439	6,242,925
Cash surrender value of life insurance	6,279	5,998
Long-term portion of pledges receivable - net:		
Temporarily restricted	233,100	-
Permanently restricted	2,000	13,975
Total other assets	<u>6,476,137</u>	<u>6,437,079</u>
<b>Total Assets</b>	<b><u>\$ 7,940,701</u></b>	<b><u>\$ 7,495,996</u></b>

The accompanying notes are an integral part of these financial statements.

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

<b>Liabilities and Net Assets</b>	<b>2016</b>	<b>2015</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 54,837	\$ 65,359
Accrued expenses	6,523	15,979
Deferred revenue	816,623	755,627
	877,983	836,965
Total current liabilities		
Gift annuity payable	62,137	60,644
	940,120	897,609
Total Liabilities		
<b>Net Assets:</b>		
Unrestricted	(186,314)	(241,027)
Board-designated	672,015	318,599
	485,701	77,572
Total unrestricted		
Temporarily restricted	257,788	32,049
Permanently restricted	6,257,092	6,488,766
	7,000,581	6,598,387
Total Net Assets	\$ 7,940,701	\$ 7,495,996
<b>Total Liabilities and Net Assets</b>		

The accompanying notes are an integral part of these financial statements.

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue:</b>				
Public support:				
Contributions:				
Annual contributions	\$ 668,725	\$ 264,500	\$ 5,000	\$ 938,225
Corporate contributions	686,850	-	-	686,850
Other contributions	5,633	-	-	5,633
Grants:				
Government grants	23,852	-	-	23,852
Foundation grants	123,250	-	-	123,250
Other grants	70,040	-	-	70,040
Total public support	1,578,350	264,500	5,000	1,847,850
Revenue:				
Concerts	867,999	-	-	867,999
Program advertising	92,086	-	-	92,086
Special fundraising events:				
Other events	203,019	-	-	203,019
Less: cost of direct expenses	(184,696)	-	-	(184,696)
Interest and dividends	7,275	-	177,777	185,052
Realized and unrealized gains (losses)	(927)	-	(68,368)	(69,295)
Change in insurance cash surrender value	-	-	281	281
Other	117,796	-	-	117,796
In-kind income	29,496	-	-	29,496
Net assets released from restrictions	385,125	(38,761)	(346,364)	-
Total revenue	1,517,173	(38,761)	(236,674)	1,241,738
Total support and revenue	3,095,523	225,739	(231,674)	3,089,588
<b>Expenses:</b>				
Program services	2,165,673	-	-	2,165,673
General and administrative	312,097	-	-	312,097
Fundraising expenses	209,624	-	-	209,624
Total expenses	2,687,394	-	-	2,687,394
<b>Change in Net Assets</b>				
Beginning of year	77,572	32,049	6,488,766	6,598,387
End of year	\$ 485,701	\$ 257,788	\$ 6,257,092	\$ 7,000,581

The accompanying notes are an integral part of these financial statements.

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue:</b>				
Public support:				
Contributions:				
Annual contributions	\$ 642,872	\$ 4,766	\$ 229,735	877,373
Corporate contributions	316,378	-	-	316,378
Other contributions	6,032	-	3,483	9,515
Grants:				
Government grants	22,630	-	-	22,630
Foundation grants	161,500	-	-	161,500
Other grants	77,988	-	-	77,988
Total public support	1,227,400	4,766	233,218	1,465,384
Revenue:				
Concerts	861,282	-	-	861,282
Program advertising	77,805	-	-	77,805
Special fundraising events:				
Other events	292,757	-	-	292,757
Less: cost of direct expenses	(93,636)	-	-	(93,636)
Interest and dividends	5,865	-	195,414	201,279
Realized and unrealized gains (losses)	(388)	-	143,192	142,804
Change in insurance cash surrender value	-	-	271	271
Other	97,246	-	-	97,246
In-kind income	112,363	-	-	112,363
Net assets released from restrictions	406,253	(77,435)	(328,818)	-
Total revenue	1,759,547	(77,435)	10,059	1,692,171
Total support and revenue	2,986,947	(72,669)	243,277	3,157,555
<b>Expenses:</b>				
Program services	2,221,785	-	-	2,221,785
General and administrative	303,615	-	-	303,615
Fundraising expenses	278,260	-	-	278,260
Total expenses	2,803,660	-	-	2,803,660
<b>Total Change in Net Assets</b>	183,287	(72,669)	243,277	353,895
<b>Net Assets:</b>				
Beginning of year	(105,715)	104,718	6,245,489	6,244,492
End of year	\$ 77,572	\$ 32,049	\$ 6,488,766	\$ 6,598,387

The accompanying notes are an integral part of these financial statements.

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 402,194	\$ 353,895
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	5,376	8,128
Realized (gain) loss on sale of investment	(223,745)	(219,308)
Unrealized (gain) loss on investments	293,040	76,504
Change in cash surrender value of life insurance	(281)	(271)
(Acrease) decrease in:		
Pledges receivable	(299,610)	112,092
Other receivables	(5,802)	(7,208)
Prepaid expenses	(33,606)	(97,581)
Increase (decrease) in:		
Accounts payable	(10,522)	14,515
Accrued expenses	(9,456)	10,392
Deferred revenue	60,996	78,129
Gift annuity payable	1,493	3,934
Net cash and cash equivalents provided by operating activities	180,077	333,221
<b>Cash Flows From Investing Activities:</b>		
Purchase of property, equipment, and music accessories	(10,265)	-
Purchases of investments	(1,932,895)	(2,042,971)
Proceeds from sale of investments	2,334,434	1,628,494
Net cash and cash equivalents provided by (used in) investing activities	391,274	(414,477)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	571,351	(81,256)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	645,156	726,412
End of year	<u>\$ 1,216,507</u>	<u>\$ 645,156</u>

The accompanying notes are an integral part of these financial statements.

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Harrisburg Symphony Association, Inc. (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are the representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these statements.

#### Organization

The Association, located in Harrisburg, Pennsylvania, is a non-profit corporation. The Association's mission is to operate and maintain a premier, symphonic orchestra as well as maintain and support a Youth Symphony Orchestra. In addition, the Association provides and promotes musical entertainment primarily in orchestral and instrumental form that the market will support. The Association also provides music education programs for the areas served. The objectives of the music education are to stimulate and encourage appreciation of, as well as support for, symphonic music.

#### Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Association considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### Investments

Investments are valued at their fair market values on a recurring basis in the Statements of Financial Position.

Fair value reporting requires the establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the Association uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Association's own determinations of the assumptions that a market participant would use in pricing the asset.

The Association has a beneficial interest in net assets of a community foundation that is classified as Level 3.

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in unrestricted net assets if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment assets reported in the Statements of Financial Position and Activities.

### Trade and Donor Receivables

Trade and donor receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer and donor receivables and considering the customer's financial condition, credit history, current economic conditions, and participation in the Association's activities. Trade and donor receivables are written off when deemed uncollectible. Recoveries of trade and donor receivables previously written off are recorded when received.

Trade and donor receivables are considered to be past due based on how payments are received compared to the customer's or donor's payment history. Interest is not generally charged on trade or donor receivables.

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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### Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### Property, Equipment, and Music Accessories

The Association capitalizes and states at cost all expenditures for property, equipment, and music accessories. Depreciation is primarily provided on the straight-line method based on the following estimated useful lives:

Buildings	40 years
Equipment and music accessories	3-10 years

The Association capitalizes assets purchased with a cost greater than \$1,000.

### Donated Equipment and Music Accessories

Donations of equipment and music accessories are recorded as other support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment and music accessories, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is primarily provided on the straight-line method over the estimated useful lives of the assets.

### Donated Services

Donated services are reported in the accompanying financial statements at estimated fair value at the date of receipt. Included in such services are legal, security, advertising and other services that require specialized skills.

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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Additionally, unpaid volunteers have made significant contributions of their time to the Association. The value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

### Basis of Presentation

Under Accounting Standards Codification No. 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present the Statements of Cash Flows.

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include board-designated net assets that are subject to Board stipulations that will be met either by the actions of the Association and/or the passage of time. At June 30, 2016, board-designated net assets consist of \$82,287 for the Carlisle Summerfair Fund, \$47,000 for the Hathaway Education Fund, \$43,073 for the Education Fund, \$101,665 for various endowments, \$77,986 for the Showhouse Fund and \$320,004 for the Let the Music Grow Campaign. At June 30, 2015, board-designated net assets consist of \$72,494 for the Carlisle Summerfair Fund, \$47,000 for the Hathaway Education Fund, \$43,073 for the Education Fund, \$66,032 for various endowments, and \$90,000 for the Showhouse Fund.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to permanent donor-imposed stipulations that they be maintained permanently. Generally, the donors of such assets permit the Association to use all or part of the income earned on the assets for general or specific purposes.

When a restriction is imposed and expires in the same fiscal year, restricted net assets are reclassified and shown as unrestricted net assets on the Statements of Activities.

Grants and contract funding which are restricted to the use of the Association's programs are reflected as unrestricted revenue when they are received and spent during the same year.

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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### Advertising

The Association records the production costs of advertising as a prepaid expense and recognizes the expense when the applicable event occurs. Direct-response advertising consists primarily of the direct and indirect costs to produce direct mail order brochures that include order forms for the Association's concerts. The capitalized production and communications costs are amortized over the concert season.

Total advertising expenses were \$58,356 and \$57,165 for the years ended June 30, 2016 and 2015, respectively.

### Income Tax Status

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. Accordingly, no income tax is incurred unless the Association earns income considered to be unrelated business income. The Association conducted activities that were subject to income taxes relating to advertising income and fundraising tours earned by the Association. The Association annually files a Form 990 and a Form 990-T.

### Management Use of Estimates

The preparation of 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

### Deferred Revenue

Income from subscriptions for concerts, advertising, and corporate sponsorships for the upcoming season received in advance are deferred and recognized when the applicable event or season occurs.

### Pending Standards Update

ASU 2014-09, "*Revenue from Contracts with Customers*," is effective for the Association's financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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disclosures. Management has not yet determined the impact of this amendment on the Association's financial statements.

ASU 2016-02, "*Leases (Topic 842)*," is effective for the Association's financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Management has not yet determined the impact of this amendment on the Association's financial statements.

ASU 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," is effective for the Association's financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses by both nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organization present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Early application of the amendments in the ASU is allowed. Management has not yet determined the impact of this amendment on the Association's financial statements.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

## **2. CONCENTRATED CREDIT RISK**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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Insurance Corporation (FDIC) up to \$250,000 per institution. The Association's accounts at financial institutions exceeded the insurance obtained through the FDIC from time to time. For the years ended June 30, 2016 and 2015, amounts in excess of the FDIC limit totaled \$417,883 and \$0, respectively.

The Association maintains a portion of its cash in money market accounts, held with PNC Institutional Investments and the Bryn Mawr Trust Company, which are not insured by the FDIC. The uninsured amount totaled \$547,989 and \$272,635 as of June 30, 2016 and 2015, respectively.

### 3. INVESTMENTS

The composition of the Association's investment portfolio at June 30, 2016 and 2015 is as follows:

<u>June 30, 2016</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 2,878,386	\$ 2,938,398
Equities	146,273	153,518
Bryn Mawr Company:		
Mutual funds	245,159	244,397
Equities	1,397,043	2,392,054
Vanguard:		
Mutual funds	269,318	268,204
Beneficial interest in assets held by The Foundation for Enhancing Communities	54,119	78,108
Total investments	<u>\$ 4,990,298</u>	<u>\$ 6,074,679</u>

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

<u>June 30, 2015</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 3,050,229	\$ 3,358,919
Equities	194,129	198,183
Bryn Mawr Company:		
Mutual funds	225,248	240,833
Equities	1,372,786	2,404,578
Vanguard:		
Mutual funds	263,593	259,735
Beneficial interest in assets held by		
The Foundation for Enhancing		
Communities	<u>52,278</u>	<u>83,265</u>
Total investments	<u>\$ 5,158,263</u>	<u>\$ 6,545,513</u>

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Fair values of investments measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2016</u>				
PNC Institutional Investments:				
Mutual funds	\$ 2,938,398	\$ 2,938,398	\$ -	\$ -
Equities	153,518	153,518	-	-
Bryn Mawr Company:				
Mutual funds	244,397	244,397	-	-
Equities	2,392,054	2,392,054	-	-
Vanguard:				
Mutual funds	268,204	268,204	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities	<u>78,108</u>	<u>-</u>	<u>-</u>	<u>78,108</u>
Total investments	<u>\$ 6,074,679</u>	<u>\$ 5,996,571</u>	<u>\$ -</u>	<u>\$ 78,108</u>

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2015</b>				
PNC Institutional Investments:				
Mutual funds	\$ 3,358,919	\$ 3,358,919	\$ -	\$ -
Equities	198,183	198,183	-	-
Bryn Mawr Company:				
Mutual funds	240,833	240,833	-	-
Equities	2,404,578	2,404,578	-	-
Vanguard:				
Mutual funds	259,735	259,735	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities	83,265	-	-	83,265
Total investments	<b>\$ 6,545,513</b>	<b>\$ 6,462,248</b>	<b>\$ -</b>	<b>\$ 83,265</b>

The following summarizes the changes in fair values associated with Level 3 assets for the year ended June 30, 2016 and 2015:

	2016	2015
Balance, July 1	\$ 83,265	\$ 84,868
Change in value	(5,157)	(1,603)
Balance, June 30	<b>\$ 78,108</b>	<b>\$ 83,265</b>

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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Investment income consists of the following:

	2016	2015
Interest and dividends	\$ 185,052	\$ 201,279
Realized gains on investments	223,745	219,308
Unrealized gain (loss) on investment	(293,040)	(76,504)
Change in cash surrender value of life insurance	281	271
 Total investment income	 <u>\$ 116,038</u>	 <u>\$ 344,354</u>

### **4. INTEREST IN NET ASSETS OF COMMUNITY FOUNDATION**

The Association has a beneficial interest in net assets of a community foundation, the Foundation for Enhancing Communities (Foundation), a community foundation. The Foundation administers the Association's assets for investment purposes and performs administrative tasks on behalf of the Association. The Foundation distributes funds to the Association in accordance with the Foundation's spending policy. The spending policy calculates the amount money annually distributed from the Association's endowed funds. The current spending policy is 5% of a five-year average market value of the funds, as determined annually.

The Association's beneficial interest in net assets of a community foundation is determined using the income approach based on the fair value of assets held by the community foundation. The beneficial interest in net assets totaled \$78,108 and \$83,265 as of June 30, 2016 and 2015, respectively.

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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### 5. PLEDGES RECEIVABLE

The following is a summary of pledges receivable as of June 30, 2016 and 2015:

	2016	2015
Amounts due in:		
Less than one year	\$ 143,169	\$ 64,684
One to five years	<u>237,100</u>	<u>15,975</u>
	380,269	80,659
Less allowance	<u>(2,000)</u>	<u>(2,000)</u>
Pledges receivable, net	<u><u>\$ 378,269</u></u>	<u><u>\$ 78,659</u></u>

### 6. PROPERTY, EQUIPMENT, AND MUSIC ACCESSORIES

Property, equipment, and music accessories consisted of the following at June 30, 2016 and 2015:

	2016	2015
Equipment and music accessories	\$ 35,111	\$ 35,111
Website creation and design	10,265	-
Less accumulated depreciation	<u>(21,093)</u>	<u>(15,717)</u>
Total	<u><u>\$ 24,283</u></u>	<u><u>\$ 19,394</u></u>

Depreciation expense totaled \$5,376 and \$8,128 for the years ended June 30, 2016 and 2015, respectively.

### 7. LINE OF CREDIT

The Association has an unsecured line of credit with a local bank, providing credit in the amount of \$200,000 with interest at the bank's prime rate. The line of credit had no outstanding balance as of June 30, 2016 and 2015.

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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### 8. DEFERRED REVENUE

The following is a summary of deferred revenue as of June 30, 2016 and 2015:

	2016	2015
Ticket income	\$ 596,203	\$ 522,836
Sponsorship income	84,000	111,500
Deferred tours	132,329	115,611
Other	<u>4,091</u>	<u>5,680</u>
Total deferred revenue	<u><u>\$ 816,623</u></u>	<u><u>\$ 755,627</u></u>

### 9. OPERATING LEASES PAYABLE

The Association leases office space and equipment. The future minimum lease payments under operating leases are as follows at June 30, 2016:

	Office	Equipment
2017	\$ 46,895	\$ 2,964
2018	47,832	2,964
2019	48,789	2,964
2020	<u>49,765</u>	<u>741</u>
Total future minimum lease payments	<u><u>\$ 193,281</u></u>	<u><u>\$ 9,633</u></u>

Office and equipment rental expense was \$53,445 and \$53,022 for the years ended June 30, 2016 and 2015, respectively. The Association has the opportunity to automatically renew its office lease from 2020 through 2025.

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# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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### 10. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following:

	2016	2015
Front Street House Fund	\$ 3,288	\$ 25,288
Let the Music Grow Campaign	253,500	-
Time-restricted contributions	1,000	4,765
IT Fund	-	1,996
Total temporarily restricted net assets	<u><u>\$ 257,788</u></u>	<u><u>\$ 32,049</u></u>

Permanently restricted net assets consist of the following:

	2016	2015
Endowment Campaign:		
Permanent endowment	\$ 6,178,984	\$ 6,405,499
The Foundation for Enhancing Communities Endowment	<u>78,108</u>	<u>83,267</u>
Total permanently restricted net assets	<u><u>\$ 6,257,092</u></u>	<u><u>\$ 6,488,766</u></u>

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

The following net assets were released from restriction as follows:

	2016	2015
Unrestricted:		
Endowment return release policy	\$ 346,364	\$ 328,818
Other contributions received and released	<u>38,761</u>	<u>77,435</u>
Total unrestricted released	<u><u>\$ 385,125</u></u>	<u><u>\$ 406,253</u></u>
Temporarily restricted released:		
Other contributions received and released	<u><u>\$ (38,761)</u></u>	<u><u>\$ (77,435)</u></u>
Total temporarily restricted released	<u><u>\$ (38,761)</u></u>	<u><u>\$ (77,435)</u></u>
Permanently restricted released:		
Endowment return release policy	<u><u>\$ (346,364)</u></u>	<u><u>\$ (328,818)</u></u>
Released by contributors	<u><u>-</u></u>	<u><u>-</u></u>
Total permanently restricted released	<u><u>\$ (346,364)</u></u>	<u><u>\$ (328,818)</u></u>

## 11. ENDOWMENT

### Investment Management Policy

Gifts to the Association's Endowment Funds are generally given with the donors' expectations that the funds will stay intact and will grow from earnings, which can then be used for current or long-term needs of the Harrisburg Symphony. Therefore, the funds should be invested in accordance with these general policies:

1. *Preservation of Capital* – Both with respect to the overall fund and to the assets assigned to each investment manager, the Investment Committee and the investment managers should make conscious efforts to preserve capital, understanding that losses may occur in individual securities.
2. *Risk Aversion* – Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results sufficient to meet the fund's objectives. However, investment managers are to make reasonable

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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efforts to control risk, and they will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. *Adherence to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

### Investment Objectives

Specifically, the primary objectives in the investment management of fund assets shall be:

- To preserve purchasing power after spending
- To achieve returns that are more than the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets
- To control risk in the investment of fund assets

### Handling of Income from Endowment Fund Investments

Concurrent with passage of Commonwealth of Pennsylvania Act 141 of 1998 (Act 141), the Association established a formal spending policy regarding permanently endowed assets. Act 141 permits an annual distribution from permanently endowed assets equal to a board-approved percentage not less than 2% or more than 7% of the average fair market value of the assets over a three-year period, as defined. During the years ended June 30, 2016 and 2015, the Association approved 6% (5% for the Whitaker Fund) distribution and, accordingly, released this amount from permanently restricted net assets to unrestricted net assets.

## **12. ENDOWMENT CAMPAIGN**

During the year ended June 30, 2010, the Association initiated its Four Score and More Endowment Campaign. Promises to give for the Endowment Campaign may be paid over one-to five-year pledge periods. Total Endowment Campaign pledges receivable, net of discounts and allowance for uncollectible promises to give of \$2,000, were \$22,334 and \$71,659 at June 30, 2016 and 2015, respectively.

## **13. HARRISBURG SYMPHONY SOCIETY**

The Harrisburg Symphony Society (the Society) is a volunteer organization operating under the charter of the Association. The Society was organized for the purpose of

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# **HARRISBURG SYMPHONY ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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raising funds to support the activities of the Association. The operations of the Society are included in the financial statements of the Association. The Society conducted various special fundraising events that provided net proceeds of approximately \$18,667 and \$185,279 for the years ended June 30, 2016 and 2015, respectively.

### **14. IN-KIND CONTRIBUTIONS**

Accounting principles generally accepted in the United States of America (GAAP) require recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The Association received \$29,496 (which consists of \$9,479 in donated goods and \$20,020 in donated services) and \$112,363 (which consists of \$83,203 related to the Society's Showhouse Event and \$29,160 in donated services) of in-kind contributions as of June 30, 2016 and 2015, respectively. These amounts, reflected in the accompanying financial statements, are reported as in-kind income and are offset by like amounts reported as in-kind expense.

### **15. GIFT ANNUITY AGREEMENTS**

As of June 30, 2016, the Association has four gift annuity agreements. These agreements require the Association to pay annual annuity payments totaling \$9,973 to the annuitants. In exchange, the Association has an irrevocable right to the value of the invested funds contributed by the annuitants. The present value of the annuities payable is \$62,137 and \$60,644 at June 30, 2016 and 2015, respectively.

### **16. PENSION**

Effective November 1, 2002, the Association established a Simplified Employee Pension Plan (SEP/IRA). The SEP/IRA is an IRA-based retirement plan, under which the Association makes a contribution to IRAs established on behalf of each eligible employee. The annual contributions to the SEP are excluded from the employee's gross income to the extent they are in compliance with Code Section 408(k) of the Internal Revenue Code. Each full-time employee becomes eligible upon satisfactory completion of three months of services. The plan is funded by the Association based on a percentage of salary determined by the Board of Directors each fiscal year. The contributions to the plan were 3% of eligible employee's salary for the years ended

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# **HARRISBURG SYMPHONY ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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June 30, 2016 and 2015, which totaled \$19,022 and \$19,280 for the years then ended, respectively. The amount contributed is 100% vested immediately.

### **17. SUBSEQUENT EVENT**

In July 2016, the Association agreed to enter into a five year collective bargaining agreement with the musicians. The new agreement is effective September 1, 2016.

## **Supplementary Information**

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services	General and Administrative	Fundraising Expenses	Total
Concert expenses	\$ 1,350,651	\$ -	\$ 550	\$ 1,351,201
Staff compensation	598,968	129,507	80,942	809,417
Other staff expenses	402	12,578	401	13,381
Education program	39,677	-	-	39,677
Youth program	16,657	-	-	16,657
Box office expenses	20,315	-	-	20,315
Development	-	-	54,601	54,601
Marketing	58,356	-	-	58,356
Administration:				
Office rent	-	45,975	-	45,975
Utilities and property	1,345	5,486	345	7,176
Postage	5,234	1,119	2,091	8,444
Supplies	1,304	5,028	4,255	10,587
Technical support	570	10,384	-	10,954
Professional fees	-	10,025	47,538	57,563
Insurance	26,185	4,365	3,081	33,631
Dues and subscriptions	5,350	2,106	1,242	8,698
Receptions and hospitality	8,370	1,810	1,131	11,311
Depreciation	-	5,376	-	5,376
Credit card fees	24,451	-	-	24,451
Bank service charges	-	395	-	395
Unrelated business income tax	2,030	-	-	2,030
Payroll services	4,149	2,763	-	6,912
Entertainment	191	553	82	826
Equipment lease	924	6,500	46	7,470
CGA investment fees	-	2,592	-	2,592
Board expenses	-	274	17	291
Gifts	544	1,052	2,847	4,443
Miscellaneous	-	8,815	979	9,794
Investment fees	-	35,374	-	35,374
In-kind donations	-	20,020	9,476	29,496
<b>Total expenses</b>	<b>\$ 2,165,673</b>	<b>\$ 312,097</b>	<b>\$ 209,624</b>	<b>\$ 2,687,394</b>

# HARRISBURG SYMPHONY ASSOCIATION, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services	General and Administrative	Fundraising Expenses	Total
Concert expenses	\$ 1,434,377	\$ -	\$ -	\$ 1,434,377
Staff compensation	491,517	146,508	167,693	805,718
Other staff expenses	15,626	-	-	15,626
Education program	18,259	-	-	18,259
Youth program	13,858	-	-	13,858
Box office expenses	18,605	-	-	18,605
Development	-	-	94,429	94,429
Marketing	57,165	-	-	57,165
Administration:				
Office rent	-	45,685	-	45,685
Utilities and property	1,661	4,944	-	6,605
Postage	1,334	1,833	1,146	4,313
Supplies	311	2,489	311	3,111
Technical support	1,965	6,877	982	9,824
Professional fees	-	10,000	-	10,000
Insurance	21,700	4,980	1,276	27,956
Dues and subscriptions	8,066	-	-	8,066
Receptions and hospitality	2,550	684	35	3,269
Depreciation	4,278	3,850	-	8,128
Credit card fees	23,293	-	-	23,293
Bank service charges	-	80	-	80
Payroll services	4,218	2,717	-	6,935
Interest	-	5	-	5
Entertainment	-	674	136	810
Administrative	-	-	-	-
Equipment lease	1,131	5,206	1,000	7,337
CGA investment fees	-	2,881	-	2,881
Board expenses	-	2,047	16	2,063
Gifts	-	832	-	832
Miscellaneous	13,104	10,899	-	24,003
Investment fees	-	38,064	-	38,064
In-kind donations	88,767	12,360	11,236	112,363
Total expenses	<u>\$ 2,221,785</u>	<u>\$ 303,615</u>	<u>\$ 278,260</u>	<u>\$ 2,803,660</u>

**HARRISBURG SYMPHONY ASSOCIATION, INC.**  
**SCHEDULES OF SPENDING REQUIREMENTS - EDUCATIONAL TAX CREDITS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Amounts received for educational tax credits	13,000	\$ 53,200
Amounts disbursed for educational programs	<u>\$ 13,000</u>	<u>\$ 53,200</u>
Percentage	100%	100%