

**Harrisburg Symphony
Association, Inc.**

Financial Statements and
Supplementary Information

Years Ended June 30, 2019 and 2018
With Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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HARRISBURG SYMPHONY ASSOCIATION, INC.

YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Association adopted ASU 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes 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, among other requirements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of spending requirements on page 26 is 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 12, 2019

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents:		
Without donor restrictions	\$ 1,867,882	\$ 1,460,529
With donor restrictions	503,278	382,345
Investments - without donor restrictions	421,716	378,853
Current portion of pledges receivable - net:		
Without donor restrictions	111,711	130,157
With donor restrictions	23,514	66,359
Other receivables, net of allowance of \$25,190 and \$33,405 at June 30, 2019 and 2018, respectively	7,250	83,623
Prepaid expenses	117,839	160,959
Total current assets	<u>3,053,190</u>	<u>2,662,825</u>
Property, equipment, and music accessories - net	<u>269,157</u>	<u>120,078</u>
Other assets:		
Cash and cash equivalents - with donor restrictions	63,807	193,613
Investments - with donor restrictions	7,042,397	6,531,801
Cash surrender value of life insurance	7,108	6,842
Long-term portion of pledges receivable - net:		
Without donor restrictions	123,921	236,076
With donor restrictions	51,799	133,204
Total other assets	<u>7,289,032</u>	<u>7,101,536</u>
Total Assets	<u><u>\$ 10,611,379</u></u>	<u><u>\$ 9,884,439</u></u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 21,571	\$ 40,605
Accrued expenses	43,698	45,134
Deferred revenue	705,502	761,665
Total current liabilities	<u>770,771</u>	<u>847,404</u>
Gift annuity payable	<u>63,904</u>	<u>52,501</u>
Total Liabilities	<u>834,675</u>	<u>899,905</u>
Net Assets:		
Without donor restrictions:		
Undesignated	638,937	114,894
Board-designated	<u>1,443,864</u>	<u>1,562,318</u>
	<u>2,082,801</u>	<u>1,677,212</u>
With donor restrictions	<u>7,693,903</u>	<u>7,307,322</u>
Total Net Assets	<u>9,776,704</u>	<u>8,984,534</u>
Total Liabilities and Net Assets	<u><u>\$ 10,611,379</u></u>	<u><u>\$ 9,884,439</u></u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions:			
Annual contributions	\$ 638,139	\$ 297,314	\$ 935,453
Corporate contributions	299,838	-	299,838
Grants:			
Government grants	530,402	-	530,402
Foundation grants	130,657	71,500	202,157
Other grants	-	-	-
Total public support	<u>1,599,036</u>	<u>368,814</u>	<u>1,967,850</u>
Revenue:			
Concerts	974,676	-	974,676
Program advertising	20,307	-	20,307
Special fundraising events:			
Other events	200,766	-	200,766
Less: cost of direct expenses	(161,624)	-	(161,624)
Interest and dividends, net	21,308	165,264	186,572
Realized and unrealized gains (losses)	25,180	418,716	443,896
Change in insurance cash surrender value	-	266	266
Other	39,865	-	39,865
In-kind income	45,922	-	45,922
Net assets released from restrictions	566,479	(566,479)	-
Total revenue	<u>1,732,879</u>	<u>17,767</u>	<u>1,750,646</u>
Total support and revenue	<u>3,331,915</u>	<u>386,581</u>	<u>3,718,496</u>
Expenses:			
Program services	2,241,108	-	2,241,108
General and administrative	346,756	-	346,756
Fundraising expenses	338,462	-	338,462
Total expenses	<u>2,926,326</u>	<u>-</u>	<u>2,926,326</u>
Change in Net Assets	<u>405,589</u>	<u>386,581</u>	<u>792,170</u>
Net Assets:			
Beginning of year	1,677,212	7,307,322	8,984,534
End of year	<u>\$ 2,082,801</u>	<u>\$ 7,693,903</u>	<u>\$ 9,776,704</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions:			
Annual contributions	\$ 1,370,395	\$ 90,381	\$ 1,460,776
Corporate contributions	229,742	-	229,742
Grants:			
Government grants	38,902	-	38,902
Foundation grants	129,250	-	129,250
Other grants	44,485	-	44,485
Total public support	<u>1,812,774</u>	<u>90,381</u>	<u>1,903,155</u>
Revenue:			
Concerts	1,064,859	-	1,064,859
Program advertising	72,409	-	72,409
Special fundraising events:			
Other events	100,684	-	100,684
Less: cost of direct expenses	(67,396)	-	(67,396)
Interest and dividends, net	6,203	122,220	128,423
Realized and unrealized gains (losses)	37,276	366,897	404,173
Change in insurance cash surrender value	-	273	273
Other	53,003	-	53,003
In-kind income	20,266	-	20,266
Net assets released from restrictions	564,063	(564,063)	-
Total revenue	<u>1,851,367</u>	<u>(74,673)</u>	<u>1,776,694</u>
Total support and revenue	<u>3,664,141</u>	<u>15,708</u>	<u>3,679,849</u>
Expenses:			
Program services	2,238,009	-	2,238,009
General and administrative	275,140	-	275,140
Fundraising expenses	302,098	-	302,098
Total expenses	<u>2,815,247</u>	<u>-</u>	<u>2,815,247</u>
Total Change in Net Assets	<u>848,894</u>	<u>15,708</u>	<u>864,602</u>
Net Assets:			
Beginning of year	828,318	7,291,614	8,119,932
End of year	<u>\$ 1,677,212</u>	<u>\$ 7,307,322</u>	<u>\$ 8,984,534</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Concert player service fees and benefits	\$ 1,463,316	\$ 307	\$ 95	\$ 1,463,718
Staff and contractor compensation	391,612	170,325	208,812	770,749
Youth program	80,702	-	-	80,702
Education program	82,362	-	-	82,362
Marketing	107,711	-	-	107,711
Administration	71,354	124,381	78,007	273,742
Depreciation	18,099	5,821	-	23,920
Miscellaneous	25,952	-	44,000	69,952
In-kind donations	-	45,922	-	45,922
Bad debt	-	-	7,548	7,548
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 2,241,108</u>	<u>\$ 346,756</u>	<u>\$ 338,462</u>	<u>\$ 2,926,326</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Concert player service fees and benefits	\$ 1,483,872	\$ -	\$ 1,847	\$ 1,485,719
Staff and contractor compensation	391,020	171,161	207,194	769,375
Youth program	73,568	-	-	73,568
Education program	95,203	-	-	95,203
Marketing	70,030	1,000	409	71,439
Administration	95,733	95,293	63,292	254,318
Depreciation	6,210	5,438	-	11,648
Miscellaneous	6,527	-	25,179	31,706
In-kind donations	15,841	2,248	2,177	20,266
Bad debt	5	-	2,000	2,005
	<u>5</u>	<u>-</u>	<u>2,000</u>	<u>2,005</u>
Total expenses	<u>\$ 2,238,009</u>	<u>\$ 275,140</u>	<u>\$ 302,098</u>	<u>\$ 2,815,247</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 792,170	\$ 864,602
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	23,920	11,648
Realized gain on sale of investment	(211,802)	(281,973)
Unrealized gain on investments	(232,014)	(122,200)
Donated investments	(119,040)	(42,673)
Change in cash surrender value of life insurance	(266)	(273)
(Increase) decrease in:		
Pledges receivable	254,851	113,812
Other receivables	76,373	(39,070)
Prepaid expenses	43,120	(119,892)
Increase (decrease) in:		
Accounts payable	(19,034)	14,967
Accrued expenses	(1,436)	(55,523)
Deferred revenue	(56,163)	51,830
Gift annuity payable	11,403	(7,305)
Net cash and cash equivalents provided by operating activities	562,082	387,950
Cash Flows From Investing Activities:		
Purchase of property, equipment, and music accessories	(172,999)	(60,811)
Purchases of investments	(777,126)	(1,027,313)
Proceeds from sale of investments	786,523	1,201,615
Net cash and cash equivalents provided by (used in) investing activities	(163,602)	113,491
Net Increase in Cash and Cash Equivalents	398,480	501,441
Cash and Cash Equivalents:		
Beginning of year	2,036,487	1,535,046
End of year	\$ 2,434,967	\$ 2,036,487
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Income taxes	\$ 2,364	\$ 2,073

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Harrisburg Symphony Association, Inc. (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 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:

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, pricing inputs utilized are either directly or indirectly observable. 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 net assets without donor restrictions 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.

Recoveries of trade and donor receivables previously written off are recorded when received.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value. For the years ended June 30, 2019 and 2018, no discount was taken.

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 \$5,000.

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 support without donor restrictions 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

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions 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.

Additionally, unpaid volunteers have made significant contributions of their time to the Association. The value of this contributed time is not reflected in the accompanying financial statements because the volunteer efforts do not meet the criteria for recognition.

Basis of Presentation

Under Accounting Standards Codification No. 958, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Association is required to present the Statements of Cash Flows.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions 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, 2019, board-designated net assets consist of \$117,376 for the Carlisle Summerfair Fund, \$35,589 for the Hathaway Education Fund, \$19,718 for the Education Fund, \$659,002 for various endowments, \$24,573 for the Showhouse Fund, \$28,842 for the unemployment compensation reserve fund, and \$558,764 for the Let the Music Grow Campaign. At June 30, 2018, board-designated net assets consist of \$102,995 for the Carlisle Summerfair Fund, \$40,826 for the Hathaway Education Fund, \$19,718 for the Education Fund, \$577,516 for various endowments, \$21,264 for the Showhouse Fund, \$28,399 for the unemployment compensation reserve fund, \$115,188 for the fixed asset fund, and \$656,412 for the Let the Music Grow Campaign.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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perpetual in nature, whereby the donor has stipulated that funds be maintained in perpetuity.

Grants and contract funding which are restricted to the use of the Association's programs are reflected as revenue without donor restrictions when they are received and spent during the same year.

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 \$107,711 and \$71,439 for the years ended June 30, 2019 and 2018, respectively.

Functional Expenses

Expenses directly related to a specific program are charged to that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting service. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses related to more than one program or supporting service are allocated on the basis of estimated employee time or estimated use of resources.

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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

Reclassifications

Certain amounts previously reported in the financial statements for the year ended June 30, 2018, have been reclassified to conform to the current year financial statement presentation. This reclassification has no effect on the previously reported change in net assets or net asset amounts.

Adoption of Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended June 30, 2019:

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* 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. As a result of adoption, the unrestricted net assets as of July 1, 2017 were transferred to net assets without donor restrictions. In addition, the temporarily and permanently restricted net assets as of July 1, 2017 were transferred to net assets with donor restrictions.

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

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transfer of promised goods or services to customers and related 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 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*," is effective for the financial statements for the year ending June 30, 2020. This amendment requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*," is effective for the financial statements for the year ending June 30, 2020. This amendment provides guidance for Characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

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 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, 2019

HARRISBURG SYMPHONY ASSOCIATION, INC.

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and 2018, amounts in excess of the FDIC limit totaled \$1,479,264 and \$1,071,202, 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 \$389,609 and \$338,843 as of June 30, 2019 and 2018, respectively.

3. Investments

The composition of the Association's investment portfolio at June 30, 2019 and 2018 is as follows:

<u>June 30, 2019</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 2,824,905	\$ 3,051,342
Equities	308,875	355,100
Bryn Mawr Company:		
Mutual funds	282,333	326,708
Equities	1,653,658	3,356,197
Vanguard:		
Mutual funds	281,358	287,245
Beneficial interest in assets held by The Foundation for Enhancing Communities	<u>89,945</u>	<u>87,521</u>
 Total investments	<u><u>\$ 5,441,074</u></u>	<u><u>\$ 7,464,113</u></u>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

<u>June 30, 2018</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 2,724,659	\$ 2,837,614
Equities	308,875	353,802
Bryn Mawr Company:		
Mutual funds	262,490	303,877
Equities	1,594,849	3,055,345
Vanguard:		
Mutual funds	281,358	272,327
Beneficial interest in assets held by The Foundation for Enhancing Communities	<u>89,945</u>	<u>87,689</u>
 Total investments	<u><u>\$ 5,262,176</u></u>	<u><u>\$ 6,910,654</u></u>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Fair values of investments measured on a recurring basis at June 30, 2019 and 2018 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, 2019</u>				
PNC Institutional Investments:				
Mutual funds	\$ 3,051,342	\$ 3,051,342	\$ -	\$ -
Equities	355,100	355,100	-	-
Bryn Mawr Company:				
Mutual funds	326,708	326,708	-	-
Equities	3,356,197	3,356,197	-	-
Vanguard:				
Mutual funds	287,245	287,245	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities				
	<u>87,521</u>	<u>-</u>	<u>-</u>	<u>87,521</u>
 Total investments	 <u>\$ 7,464,113</u>	 <u>\$ 7,376,592</u>	 <u>\$ -</u>	 <u>\$ 87,521</u>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

June 30, 2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PNC Institutional Investments:				
Mutual funds	\$ 2,837,614	\$ 2,837,614	\$ -	\$ -
Equities	353,802	353,802	-	-
Bryn Mawr Company:				
Mutual funds	303,877	303,877	-	-
Equities	3,055,345	3,055,345	-	-
Vanguard:				
Mutual funds	272,327	272,327	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities				
	87,689	-	-	87,689
 Total investments	 \$ 6,910,654	 \$ 6,822,965	 \$ -	 \$ 87,689

The following summarizes the changes in fair values associated with Level 3 assets for the years ended June 30, 2019 and 2018:

	2019	2018
Balance, July 1	\$ 87,689	\$ 84,945
Change in value	(168)	2,744
Balance, June 30	\$ 87,521	\$ 87,689

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Investment income consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 225,973	\$ 168,848
Realized gains on investments	131,233	281,973
Unrealized gain on investment	312,663	122,200
Investment fees	(39,401)	(40,425)
Change in cash surrender value of life insurance	<u>266</u>	<u>273</u>
Total investment income	<u>\$ 630,734</u>	<u>\$ 532,869</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 community foundation reports the fair value of the Association's beneficial interest based on the underlying investments. The beneficial interest in net assets totaled \$87,521 and \$87,689 as of 2019 and 2018, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

5. Pledges Receivable

The following is a summary of pledges receivable as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 135,225	\$ 196,516
One to five years	<u>177,720</u>	<u>371,280</u>
	312,945	567,796
Less allowance	<u>(2,000)</u>	<u>(2,000)</u>
Pledges receivable, net	<u><u>\$ 310,945</u></u>	<u><u>\$ 565,796</u></u>

6. Property, Equipment, and Music Accessories

Property, equipment, and music accessories consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment and music accessories	\$ 323,299	\$ 150,299
Website creation and design	10,265	10,265
Less accumulated depreciation	<u>(64,407)</u>	<u>(40,486)</u>
Total	<u><u>\$ 269,157</u></u>	<u><u>\$ 120,078</u></u>

Depreciation expense totaled \$23,920 and \$11,648 for the years ended June 30, 2019 and 2018, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018.

8. Deferred Revenue

The following is a summary of deferred revenue as of 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Ticket income	\$ 687,642	\$ 595,871
Sponsorship income	16,000	69,000
Deferred tours	-	94,614
Other	<u>1,860</u>	<u>2,180</u>
Total deferred revenue	<u>\$ 705,502</u>	<u>\$ 761,665</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:

	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 48,789
2020	<u>49,765</u>	<u>49,765</u>
Total future minimum lease payments	<u>\$ 49,765</u>	<u>\$ 98,554</u>

Office and equipment rental expense was \$53,187 and \$53,515 for the years ended June 30, 2019 and 2018, respectively. The Association has the opportunity to automatically renew its office lease from 2020 through 2025.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

10. Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
Let the Music Grow Campaign	\$ 450,422	\$ 565,977
Education	52,587	-
Events	66,335	-
IT Fund	<u>5,512</u>	<u>7,500</u>
	574,856	573,477
Time-restricted contributions	<u>5,735</u>	<u>7,681</u>
Total net assets with donor restrictions	<u><u>\$ 580,591</u></u>	<u><u>\$ 581,158</u></u>

Net assets with donor restrictions that are permanent in nature consist of the following:

	<u>2019</u>	<u>2018</u>
Endowment Campaign:		
Permanent endowment	\$ 7,025,791	\$ 6,638,475
The Foundation for Enhancing Communities Endowment	<u>87,521</u>	<u>87,689</u>
Total net assets with donor restrictions - permanent	<u><u>\$ 7,113,312</u></u>	<u><u>\$ 6,726,164</u></u>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

The following net assets were released from restriction as follows:

	2019	2018
Without donor restrictions released		
Endowment return release policy	\$ 378,742	\$ 357,270
Other contributions received and released	187,737	244,191
	<u>566,479</u>	<u>601,461</u>
Total without donor restrictions released	<u>\$ 566,479</u>	<u>\$ 601,461</u>
With donor restrictions released, purpose and time:		
Other contributions received and released	\$ (187,737)	\$ (244,191)
	<u>(187,737)</u>	<u>(244,191)</u>
Total with donor restrictions released, purpose and time	<u>\$ (187,737)</u>	<u>\$ (244,191)</u>
With donor restrictions released, permanent:		
Endowment return release policy	\$ (378,742)	\$ (357,270)
	<u>(378,742)</u>	<u>(357,270)</u>
Total with donor restrictions released, permanent	<u>\$ (378,742)</u>	<u>\$ (357,270)</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 efforts to control risk, and they will be

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018, the Association approved 5.00% (5% for the Whitaker Fund) and 5.50% (5% for the Whitaker Fund), respectively, distribution and, accordingly, released this amount from net assets with donor restrictions to net assets without donor restrictions.

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 \$0 and \$750 at June 30, 2019 and 2018, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 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 \$39,142 and \$33,288 for the years ended June 30, 2019 and 2018, 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 \$45,922 (which consists of \$25,858 in donated goods and \$20,064 in donated services) and \$20,266 (which consists of \$11,985 in donated goods and \$8,281 in donated services) of in-kind contributions as of June 30, 2019 and 2018, 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, 2019, 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 \$63,904 and \$52,501 at June 30, 2019 and 2018, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 June 30, 2019 and 2018, which totaled \$9,201 and \$25,080 for the years then ended, respectively. The amount contributed is 100% vested immediately.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

17. Liquidity and Availability

The Association derives liquid resources through the sale of concert tickets and fundraising efforts. The Association prepares detailed budgets covering all aspects of its operations in order to contain costs, and has increased its net assets without donor restrictions in recent years.

The Association has a \$200,000 line of credit available to meet any cash flow shortfalls that may arise.

Total assets	\$	10,611,379
Less fixed assets		(269,157)
Less prepaids		(117,839)
Less long-term pledges		<u>(175,720)</u>
Total financial assets		10,048,663
Less restricted assets:		
Cash		(567,085)
Investments		(7,042,397)
Short-term pledges		(23,514)
Cash surrender value of life insurance		(7,108)
Board-designated assets		<u>(1,443,864)</u>
Total restricted assets		<u>(9,083,968)</u>
Financial assets available to meet		
cash needs for general expenditures		
in the next year		
	\$	<u>964,695</u>

SUPPLEMENTARY INFORMATION

HARRISBURG SYMPHONY ASSOCIATION, INC.

SCHEDULES OF SPENDING REQUIREMENTS - EDUCATIONAL TAX CREDITS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Amounts received for educational tax credits	<u>\$ 28,500</u>	<u>\$ 24,500</u>
Amounts disbursed for educational programs	<u>\$ 28,500</u>	<u>\$ 24,500</u>
Percentage	100%	100%