

**Harrisburg Symphony
Association, Inc.**

Financial Statements and
Supplementary Information

Years Ended June 30, 2022 and 2021
with Independent Auditor's Report

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

HARRISBURG SYMPHONY ASSOCIATION, INC.

YEARS ENDED JUNE 30, 2022, AND 2021

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Independent Auditor's Report

**Board of Directors
Harrisburg Symphony Association, Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Harrisburg Symphony Association, Inc. (Association), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Association adopted the accounting provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, "Leases." Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Maier Duessel

Harrisburg, Pennsylvania
November 15, 2022

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents:		
Without donor restrictions	\$ 2,876,873	\$ 2,276,315
With donor restrictions	374,509	782,463
Investments - without donor restrictions	896,174	869,938
Current portion of pledges receivable - net:		
Without donor restrictions	1,500	45,379
With donor restrictions	-	8,500
Other receivables, net of allowance of \$0 and \$20,261 at June 30, 2022 and 2021, respectively	520,886	456,525
Prepaid expenses	130,055	66,865
Total current assets	<u>4,799,997</u>	<u>4,505,985</u>
Property, equipment, and music accessories - net	<u>202,355</u>	<u>235,095</u>
Other assets:		
Operating lease right-of-use asset	240,926	281,395
Investments - with donor restrictions	7,165,987	8,512,796
Cash surrender value of life insurance	7,923	7,659
Total other assets	<u>7,414,836</u>	<u>8,801,850</u>
Total Assets	<u><u>\$ 12,417,188</u></u>	<u><u>\$ 13,542,930</u></u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 92,434	\$ 75,567
Accrued expenses	39,015	28,604
Paycheck protection program - current portion	-	36,470
Current portion of operating lease liability	41,638	42,800
Deferred revenue	641,756	583,994
Total current liabilities	<u>814,843</u>	<u>767,435</u>
Non-current liabilities		
Noncurrent portion of operating lease liability	199,288	238,595
Paycheck protection program - non-current portion	-	328,240
Total non-current liabilities	<u>199,288</u>	<u>566,835</u>
Gift annuity payable	42,576	51,530
Total Liabilities	<u>1,056,707</u>	<u>1,385,800</u>
Net Assets:		
Without donor restrictions:		
Undesignated	1,839,557	1,091,923
Board-designated	1,980,428	1,761,448
	<u>3,819,985</u>	<u>2,853,371</u>
With donor restrictions	<u>7,540,496</u>	<u>9,303,759</u>
Total Net Assets	<u>11,360,481</u>	<u>12,157,130</u>
Total Liabilities and Net Assets	<u><u>\$ 12,417,188</u></u>	<u><u>\$ 13,542,930</u></u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions:			
Annual contributions	\$ 811,451	\$ 82,513	\$ 893,964
Corporate contributions	153,583	-	153,583
Grants:			
Government grants	1,138,147	-	1,138,147
Foundation grants	175,546	46,500	222,046
Total public support	<u>2,278,727</u>	<u>129,013</u>	<u>2,407,740</u>
Revenue:			
Concerts	406,939	-	406,939
Program advertising	17,750	-	17,750
Special fundraising events:			
Other events	70,035	-	70,035
Less: cost of direct expenses	(51,947)	-	(51,947)
Interest and dividends, net	3,806	175,427	179,233
Realized and unrealized gains (losses)	(83,181)	(1,328,354)	(1,411,535)
Change in insurance cash surrender value	-	264	264
Gain on extinguishment of debt	367,212	-	367,212
Other	48,333	-	48,333
Contributions of nonfinancial assets	7,801	-	7,801
Net assets transferred from with donor restrictions to without donor restrictions	-	-	-
Net assets released from restrictions	739,613	(739,613)	-
Total revenue	<u>1,526,361</u>	<u>(1,892,276)</u>	<u>(365,915)</u>
Total support and revenue	<u>3,805,088</u>	<u>(1,763,263)</u>	<u>2,041,825</u>
Expenses:			
Program services	2,228,276	-	2,228,276
General and administrative	292,964	-	292,964
Fundraising expenses	317,234	-	317,234
Total expenses	<u>2,838,474</u>	<u>-</u>	<u>2,838,474</u>
Change in Net Assets	<u>966,614</u>	<u>(1,763,263)</u>	<u>(796,649)</u>
Net Assets:			
Beginning of year	2,853,371	9,303,759	12,157,130
End of year	<u>\$ 3,819,985</u>	<u>\$ 7,540,496</u>	<u>\$ 11,360,481</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions:			
Annual contributions	\$ 828,448	\$ 51,580	\$ 880,028
Corporate contributions	159,052	32,000	191,052
Grants:			
Government grants	542,290	520,000	1,062,290
Foundation grants	61,029	123,502	184,531
Other grants	-	-	-
Total public support	1,590,819	727,082	2,317,901
Revenue:			
Concerts	17,597	-	17,597
Program advertising	1,302	-	1,302
Special fundraising events:			
Other events	12,410	-	12,410
Less: cost of direct expenses	(50,562)	-	(50,562)
Interest and dividends, net	15,048	133,501	148,549
Realized and unrealized gains (losses)	128,061	1,712,783	1,840,844
Change in insurance cash surrender value	-	272	272
Gain on Extinguishment of debt	377,431	-	377,431
Other	20,990	-	20,990
Contributions of nonfinancial assets	102,840	-	102,840
Net assets transferred from with donor restrictions to without donor restrictions	-	-	-
	256,485	(256,485)	-
Net assets released from restrictions	745,368	(745,368)	-
Total revenue	1,626,970	844,703	2,471,673
Total support and revenue	3,217,789	1,571,785	4,789,574
Expenses:			
Program services	1,824,588	-	1,824,588
General and administrative	289,127	-	289,127
Fundraising expenses	274,858	-	274,858
Total expenses	2,388,573	-	2,388,573
Change in Net Assets	829,216	1,571,785	2,401,001
Net Assets:			
Beginning of year	2,024,155	7,731,974	9,756,129
End of year	\$ 2,853,371	\$ 9,303,759	\$ 12,157,130

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 1,350,459	\$ 97,424	\$ 165,938	\$ 1,613,821
Guest artist/contractor expense	158,756	2,400	390	161,546
Deferred compensation	39,189	5,562	4,098	48,849
Employee benefits	80,321	39,062	2,461	121,844
Payroll taxes	95,920	13,021	10,470	119,411
Depreciation	41,598	-	-	41,598
Miscellaneous	110,135	16,239	2,513	128,887
Management fees	13,639	-	600	14,239
Legal	-	1,553	-	1,553
Accounting	-	16,609	-	16,609
Lobbying	2,571	-	60,458	63,029
Advertising	79,986	-	21,710	101,696
Office expenses	26,944	25,733	24,053	76,730
Information technology	23,638	10,521	17,596	51,755
Royalties	4,397	-	-	4,397
Occupancy	63,949	53,326	-	117,275
Travel	108,427	762	30	109,219
Conferences	462	476	462	1,400
Interest	-	1,569	-	1,569
Insurance	25,885	5,230	2,131	33,246
Scholarships	2,000	-	-	2,000
Nonfinancial donations	-	3,477	4,324	7,801
Total expenses	<u>\$ 2,228,276</u>	<u>\$ 292,964</u>	<u>\$ 317,234</u>	<u>\$ 2,838,474</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 1,070,274	\$ 100,321	\$ 128,750	\$ 1,299,345
Guest artist/contractor expense	12,843	-	500	13,343
Deferred compensation	43,495	5,775	3,863	53,133
Employee benefits	82,318	38,451	2,132	122,901
Payroll taxes	72,615	13,084	9,868	95,567
Depreciation	41,229	-	-	41,229
Miscellaneous	110,021	7,793	228	118,042
Management fees	19,425	3,465	250	23,140
Legal	1,017	-	-	1,017
Accounting	-	11,634	1,750	13,384
Lobbying	-	-	60,300	60,300
Advertising	83,117	752	24,366	108,235
Office expenses	14,092	26,480	20,342	60,914
Information technology	128,213	9,644	17,190	155,047
Royalties	15,355	-	-	15,355
Occupancy	3,822	50,993	-	54,815
Travel	17,308	24	-	17,332
Conferences	917	945	917	2,779
Interest	-	913	2,814	3,727
Insurance	18,527	4,013	1,588	24,128
Scholarships	2,000	-	-	2,000
Nonfinancial donations	88,000	14,840	-	102,840
Total expenses	<u>\$ 1,824,588</u>	<u>\$ 289,127</u>	<u>\$ 274,858</u>	<u>\$ 2,388,573</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (796,649)	\$ 2,401,001
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	41,598	41,229
Realized (gain) loss on sale of investment	(283,419)	(151,505)
Unrealized (gain) loss on investments	1,691,320	(1,697,964)
Gain on extinguishment of debt	(367,212)	(373,900)
Donated investments	-	(11,393)
Change in cash surrender value of life insurance	(264)	(272)
(Increase) decrease in:		
Pledges receivable	52,379	125,741
Other receivables	(64,361)	(437,103)
Prepaid expenses	(63,190)	74,754
Increase (decrease) in:		
Accounts payable	16,867	56,801
Accrued expenses	10,411	(3,293)
Deferred revenue	57,762	(190,537)
Gift annuity payable	(8,954)	593
Net cash and cash equivalents provided by (used in) operating activities	<u>286,288</u>	<u>(165,848)</u>
Cash Flows From Investing Activities:		
Purchase of property, equipment, and music accessories	(8,858)	(5,025)
Purchases of investments	(1,770,244)	(621,093)
Proceeds from sale of investments	1,685,418	642,043
Net cash and cash equivalents provided by (used in) investing activities	<u>(93,684)</u>	<u>15,925</u>
Cash Flows From Financing Activities:		
Loan proceeds	-	364,710
Net cash provided by financing activities	-	364,710
Net Increase in Cash and Cash Equivalents	<u>192,604</u>	<u>214,787</u>
Cash and Cash Equivalents:		
Beginning of year	3,058,778	2,843,991
End of year	<u>\$ 3,251,382</u>	<u>\$ 3,058,778</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ 3,498</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Cash and cash equivalents as presented on the Statements of Cash Flows consists of the following amounts with and without donor restrictions:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 2,876,873	\$ 2,276,315
With donor restrictions	<u>374,509</u>	<u>782,463</u>
Total cash and cash equivalents shown in the Statement of Cash Flows	<u><u>\$ 3,251,382</u></u>	<u><u>\$ 3,058,778</u></u>

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:

- 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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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.

Receivable balances are as follows at:

	<u>July 1, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Other receivable, net	\$ 19,422	\$ 456,525	\$ 520,886

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.

Pledges Receivable

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, 2022 and 2021, no discount was taken.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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.

Leases

The Association leases an office building. The Association determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the Statement of Financial Position.

ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Association's leases do not provide an implicit rate, the incremental borrowing rate is used which is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Association's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

In determining the discount rate used to measure the right-of-use asset and lease liability, the Association uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Association's assets. Determining a credit spread as secured by the assets may require significant judgment.

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, 2022, board-designated net assets consist of \$94,010 for the Carlisle Summerfair Fund, \$21,901 for the Hathaway Education Fund, \$9,281 for the Education Fund, \$1,267,603 for various endowments, \$24,068 for the Youth Orchestra Fund, \$29,987 for the unemployment compensation reserve fund, and \$533,577 for the Let the Music Grow Campaign. At June 30, 2021, board-designated net assets consist of \$93,432 for the Carlisle Summerfair Fund, \$21,902 for the Hathaway Education Fund, \$13,060 for the Education Fund, \$1,027,558 for various endowments, \$15,620 for the Youth Orchestra Fund, \$29,987 for the unemployment compensation reserve fund, and \$559,889 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 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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 \$101,696 and \$108,235 for the years ended June 30, 2022 and 2021, 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 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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

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Deferred Revenue

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

Revenue Recognition

Contributions received are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions.

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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Annual contributions, corporate contributions, and foundation grants are considered to be unconditional contributions with or without donor restrictions.

The Association entered into a contract with the Pennsylvania Department of Community and Economic Development (DCED) for years ended June 30, 2022 and 2021, which is purpose restricted for musicians' service fees. The Association considers this contract to be an unconditional contribution and is presented in government grants on the statement of activities in the amount of \$500,000 for both years ended June 30, 2022 and 2021.

Concert revenue generated from ticket sales is recognized when the concert services are rendered.

Special events revenue, which is mainly comprised of fundraising contributions, ticketing, and sponsorship revenue. Ticketing and sponsorship revenue is recognized upon completion of the fundraising event. Funds received in advance of each event is recorded as deferred revenue until the completion of the event, at which time the revenue is recognized. Management has determined that the benefits received by the sponsor constitute an exchange transaction. Funds received for fundraising tickets or travel events are considered exchange transactions up to the cost of the benefits provided. Any excess of

HARRISBURG SYMPHONY ASSOCIATION, INC.

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funds received are considered contribution with or without donor restrictions and are recognized in accordance with the Association's contribution recognition policies.

Adoption of Accounting Standards

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended June 30, 2022:

ASU 2020-07, *"Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets"*. The amendments in this update address presentation and enhances disclosure of contributed nonfinancial assets.

ASU 2016-02, *"Leases (Topic 842)"*, requires 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 are 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.

The Association adopted the standard effective July 1, 2021 and recognized and measured leases existing at, or entered into after, July 1, 2020 (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

The Association elected the available practical expedients to account for the existing operating leases as operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Association recognized on July 1, 2020 a lease liability of \$281,395, which represents the present value of the remaining operating lease payments of \$315,475, discounted using the incremental borrowing rate of 3.3%, and a right-of-use asset of \$281,395.

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Pending Accounting Standards Updates

The FASB has issued the following ASU that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-13, "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

Reclassification

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year 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 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, 2022 and 2021 amounts in excess of the FDIC limit totaled \$2,059,637 and \$2,027,420, 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

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FDIC. The uninsured amount totaled \$607,891 and \$529,377 as of June 30, 2022 and 2021, respectively.

3. Investments

The composition of the Association's investment portfolio at June 30, 2022 and 2021 is as follows:

<u>June 30, 2022</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 3,379,171	\$ 3,261,724
Equities	194,473	210,781
Bryn Mawr Company:		
Mutual funds	345,893	367,826
Equities	1,812,887	3,850,671
Vanguard:		
Mutual funds	309,703	289,131
Beneficial interest in assets held by The Foundation for Enhancing Communities	<u>76,215</u>	<u>82,028</u>
 Total investments	<u>\$ 6,118,342</u>	<u>\$ 8,062,161</u>

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<u>June 30, 2021</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 3,012,973	\$ 3,591,999
Equities	333,676	543,513
Bryn Mawr Company:		
Mutual funds	309,656	430,666
Equities	1,659,190	4,408,974
Vanguard:		
Mutual funds	303,439	307,909
Beneficial interest in assets held by The Foundation for Enhancing Communities		
	<u>79,860</u>	<u>99,673</u>
Total investments	<u>\$ 5,698,794</u>	<u>\$ 9,382,734</u>

Fair values of investments measured on a recurring basis at June 30, 2022 and 2021 are as follows:

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
PNC Institutional Investments:				
Mutual funds	\$ 3,261,724	\$ 3,261,724	\$ -	\$ -
Equities	210,781	210,781	-	-
Bryn Mawr Company:				
Mutual funds	367,826	367,826	-	-
Equities	3,850,671	3,850,671	-	-
Vanguard:				
Mutual funds	289,131	289,131	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities				
	<u>82,028</u>	<u>-</u>	<u>-</u>	<u>82,028</u>
Total investments	<u>\$ 8,062,161</u>	<u>\$ 7,980,133</u>	<u>\$ -</u>	<u>\$ 82,028</u>

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	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, 2021</u>				
PNC Institutional Investments:				
Mutual funds	\$ 3,591,999	\$ 3,591,999	\$ -	\$ -
Equities	543,513	543,513	-	-
Bryn Mawr Company:				
Mutual funds	430,666	430,666	-	-
Equities	4,408,974	4,408,974	-	-
Vanguard:				
Mutual funds	307,909	307,909	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities				
	<u>99,673</u>	<u>-</u>	<u>-</u>	<u>99,673</u>
 Total investments	 <u>\$ 9,382,734</u>	 <u>\$ 9,283,061</u>	 <u>\$ -</u>	 <u>\$ 99,673</u>

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

	<u>2022</u>	<u>2021</u>
Balance, July 1	\$ 99,673	\$ 81,185
Change in value	<u>(17,645)</u>	<u>18,488</u>
Balance, June 30	<u>\$ 82,028</u>	<u>\$ 99,673</u>

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Investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 231,198	\$ 197,906
Realized gain (loss) on investments	105,670	150,808
Unrealized gain (loss) on investment	(1,517,205)	1,690,036
Investment fees	(51,965)	(49,357)
Change in cash surrender value of life insurance	<u>264</u>	<u>272</u>
Total investment income	<u>\$ (1,232,038)</u>	<u>\$ 1,989,665</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 \$82,028 and \$99,673 as of 2022 and 2021, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

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5. Pledges Receivable

The following is a summary of pledges receivable as of June 30:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 1,500	\$ 55,879
One to five years	-	-
	<u>1,500</u>	<u>55,879</u>
Less allowance	-	(2,000)
	<u>1,500</u>	<u>53,879</u>
Pledges receivable, net	<u>\$ 1,500</u>	<u>\$ 53,879</u>

In the year ended June 30, 2022, all pledges have been written off as uncollectible.

6. Property, Equipment, and Music Accessories

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

	<u>2022</u>	<u>2021</u>
Equipment and music accessories	\$ 350,403	\$ 341,545
Website creation and design	23,320	23,320
Less accumulated depreciation	<u>(171,368)</u>	<u>(129,770)</u>
Total	<u>\$ 202,355</u>	<u>\$ 235,095</u>

Depreciation expense totaled \$41,598 and \$41,229 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

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8. Deferred Revenue

Deferred revenue represents amounts collected in advance of revenue recognition. The balance of deferred revenue will increase or decrease based on the timing of invoices and recognition of revenue. The following shows significant changes in deferred revenue liability balances during the years ended June 30, 2022 and 2021:

	<u>Ticket</u>	<u>Sponsorship</u>	<u>Other</u>	<u>Total</u>
Balance at July 1, 2020	\$ 690,881	\$ 83,650	\$ -	\$ 774,531
Revenue recognized	(690,881)	(78,650)	-	(769,531)
Amounts collected	<u>498,994</u>	<u>80,000</u>	<u>-</u>	<u>578,994</u>
Balance at June 30, 2021	<u>\$ 498,994</u>	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 583,994</u>
	<u>Ticket</u>	<u>Sponsorship</u>	<u>Other</u>	<u>Total</u>
Balance at July 1, 2021	\$ 498,994	\$ 85,000	\$ -	\$ 583,994
Revenue recognized	(498,994)	(120,000)	-	(618,994)
Amounts collected	<u>525,556</u>	<u>150,000</u>	<u>1,200</u>	<u>676,756</u>
Balance at June 30, 2022	<u>\$ 525,556</u>	<u>\$ 115,000</u>	<u>\$ 1,200</u>	<u>\$ 641,756</u>

The following is a summary of deferred revenue as of June 30:

	<u>2022</u>	<u>2021</u>
Ticket income	\$ 525,556	\$ 498,994
Sponsorship income	115,000	85,000
Other income	<u>1,200</u>	<u>-</u>
Total deferred revenue	<u>\$ 641,756</u>	<u>\$ 583,994</u>

9. COVID-19 Funding

Paycheck Protection Program Loan

In April 2020, the Association qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the

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“PPP Lender”), for an aggregate principal amount of \$373,900 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, and a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Association’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Association. In April 2021 this loan was forgiven, and the Association recorded a gain on extinguishment of debt in the amount of \$377,431 during the year ended June 30, 2021.

In March 2021, the Association qualified for and received a second loan pursuant to the Paycheck Protection Program for an aggregate principal amount of \$364,710. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Association’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Association. In December 2021 this loan was forgiven, and the Association recorded a gain on extinguishment of debt in the amount of \$367,212 during the year ended June 30, 2022.

Employer Retention Tax Credit

The Association was eligible to receive an employer retention tax credit (tax credit) during the year ended June 30, 2022 and 2021. Eligible employers can claim the employee retention credit, a refundable tax credit equal to 50 percent of up to \$10,000 in qualified wages (including health plan expenses), paid after March 12, 2020 and before January 1, 2021. In 2021, changes through the CARES Act allowed the Association to apply for this funding retroactively. As of January 1, 2021, eligible employers could claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through December 31, 2021. The Association considers the tax credit to be a conditional contribution, in which revenue is recorded at the time that barriers are met. As of June 30, 2022, all barriers had been met, but due to the timing of the application process, these amounts have not been received as of year-end. Amount recognized during the periods ending June 30, 2022 and 2021 total \$202,589 and 453,130, respectively. This is reported as a government grant and other receivables at year-end June 30, 2022 and 2021 in the amounts of and \$506,244 and 453,130, respectively.

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COVID-19 Shuttered Venue Operators Grant (SVOG)

The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. SVOG provides emergency assistance for eligible performing arts businesses affected by COVID-19. The SVOG program's mission is to support the ongoing operations of eligible live venues and operators, live venue promoters, theatrical producers, talent representatives, live performing arts organization operators, museums, and motion picture theaters during the uncertain economic conditions caused by the COVID-19 pandemic. Due to barriers established through the eligibility requirements of funding, application requirements, and the right-of-return funds, the Association considers these funds to be a conditional contribution and has recognized the contribution during the year ended June 30, 2022. The total funds recorded in government grants on the statement of activities totaled \$435,058.

10. Leases

The Association entered into a commercial lease for an office building executed June 25, 2015 through June 30, 2020. The lease was extended July 1, 2020 and will expire June 30, 2027. The Association has the right to extend the term of the lease for two separate option periods, each option period being for five years. The Association shall exercise its option to extend the term by providing the landlord with written notice of at least 180 days prior to the expiration of the current term, provided the Association has the no right or option to renew the term of the lease if the Association is in default of any of the terms or provisions of the lease upon the date of giving notice to renew or any time thereafter through and including the expiration date of the current term of the lease.

The components of lease expense were as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 49,756	\$ 48,780

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Other information related to leases was as follows at June 30:

	<u>2022</u>	<u>2021</u>
Supplemental Cash Flows information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 49,756	\$ 48,780
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	-	281,395
Weighted average remaining lease term:		
Operating leases	5 years	6 years
Weighted average discount rate:		
Operating leases	3.30%	3.30%

Future minimum lease payments under non-cancellable leases as of June 30, 2022 were as follows:

Year Ending	<u>Operating Leases</u>
2023	\$ 50,751
2024	51,766
2025	52,801
2026	54,385
2027	<u>56,017</u>
Total future minimum lease payments	\$ 265,720
Less: interest	<u>(24,794)</u>
Total	<u><u>\$ 240,926</u></u>

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11. Restrictions on Net Assets

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Purpose restricted contributions:		
Let the Music Grow Campaign	\$ 196,994	\$ 196,994
Harrisburg Symphony Youth Orchestras	11,000	-
Education	6,500	11,465
Events	92,375	72,500
IT funds	-	5,000
DCED Grant - Musician salaries	-	500,000
	<u>306,869</u>	<u>785,959</u>
Time-restricted contributions	<u>67,640</u>	<u>5,005</u>
Total net assets with donor restrictions	<u>\$ 374,509</u>	<u>\$ 790,964</u>

Net assets with donor restrictions that are permanent in nature consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Endowment Campaign:		
Permanent endowment	\$ 7,083,959	\$ 8,413,122
The Foundation for Enhancing Communities Endowment	<u>82,028</u>	<u>99,673</u>
Total net assets with donor restrictions - permanent	<u>\$ 7,165,987</u>	<u>\$ 8,512,795</u>

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The following net assets were released from restriction as follows for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Without donor restrictions released		
Endowment return release policy	\$ 194,144	\$ 460,400
Other contributions received and released	<u>545,469</u>	<u>284,968</u>
Total without donor restrictions released	<u>\$ 739,613</u>	<u>\$ 745,368</u>
With donor restrictions released, purpose and time:		
Other contributions received and released	<u>\$ (545,469)</u>	<u>\$ (284,968)</u>
Total with donor restrictions released, purpose and time	<u>\$ (545,469)</u>	<u>\$ (284,968)</u>
With donor restrictions released, permanent:		
Endowment return release policy	<u>\$ (194,144)</u>	<u>\$ (460,400)</u>
Total with donor restrictions released, permanent	<u>\$ (194,144)</u>	<u>\$ (460,400)</u>

Due to the coronavirus pandemic, the Music in the Key of We event was unable to be held during 2021. As such, donors consented to reclassify their contributions, originally restricted for this purpose, to be used for other restricted purposes or for the general operations of the Association. For the year ended June 30, 2021, \$65,000 was reclassified for other restricted purposes, which included future events, education, and the youth orchestra and \$256,485 was reclassified to be used to cover general operations of the Association.

12. 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

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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 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, 2022 and 2021, the Association approved 4.50% (4.50% for the Whitaker Fund), respectively, distribution and, accordingly, released this amount from net assets with donor restrictions to net assets without donor restrictions.

13. 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

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one-to five-year pledge periods. Total Endowment Campaign pledges receivable, net of discounts and allowance for uncollectible promises to give of \$0 and \$2,000 at June 30, 2022 and 2021, respectively, were \$0 at June 30, 2022 and 2021.

14. 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/(loss) of approximately \$18,088 and \$(38,152) for the years ended June 30, 2022, and 2021, respectively.

15. Contributed Nonfinancial Assets

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 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

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 \$7,801 (which consists of \$3,477 in donated services and \$4,324 in donated auction items)

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and \$102,840 (which consists of \$14,840 in donated services and \$88,000 in donated facilities/rent) of nonfinancial contributions as of June 30, 2022 and 2021, respectively. These amounts, reflected in the accompanying financial statements, are reported as donations of nonfinancial assets and are offset by like amounts reported as nonfinancial expenses.

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.

The donated facility was utilized for concert performances. In valuing the contributed facility, which is located in Harrisburg, the Association estimated the fair value on the basis of comparable rent prices in Harrisburg's real estate market.

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.

16. Gift Annuity Agreements

As of June 30, 2022, the Association has three gift annuity agreements. These agreements require the Association to pay annual annuity payments totaling \$6,943 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 \$42,576 and \$51,530 at June 30, 2022 and 2021, respectively.

17. 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

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

salary for the years ended June 30, 2022 and 2021, which totaled \$27,352 and \$24,644 for the years then ended, respectively. The amount contributed is 100% vested immediately.

18. 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. In addition, the Association actively applies for available COVID-19 funding that is made available to help close budget gaps.

The Association has a \$200,000 line of credit available to meet any cash flow shortfalls for the years ended June 30, 2022 and 2021.

Financial assets available to meet cash needs for general expenditures in the next year is as follows at June 30:

	2022	2021
Total assets	\$ 12,417,188	\$ 13,542,930
Less fixed assets	(202,355)	(235,095)
Less operating lease ROU	(240,926)	(281,395)
Less prepaids	(130,055)	(66,865)
Total financial assets	11,843,852	12,959,575
Less restricted assets:		
Cash	(374,509)	(782,463)
Investments	(7,165,987)	(8,512,796)
Cash surrender value of life insurance	(7,923)	(7,659)
Board-designated assets	(1,980,428)	(1,761,448)
Total restricted assets	(9,528,847)	(11,064,366)
Financial assets available to meet cash needs for general expenditures in the next year	\$ 2,315,005	\$ 1,895,209

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

19. Related Party Transactions

The Association's landlord also serves as a board member for the Association. During the years ended June 30, 2022 and 2021, the Association paid \$49,755 and \$48,780 for office rent, respectively.

SUPPLEMENTARY INFORMATION

HARRISBURG SYMPHONY ASSOCIATION, INC.

SCHEDULES OF SPENDING REQUIREMENTS - EDUCATIONAL TAX CREDITS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Amounts received for educational tax credits	<u>\$ 15,000</u>	<u>\$ 18,500</u>
Amounts disbursed for educational programs	<u>\$ 15,000</u>	<u>\$ 18,500</u>
Percentage	100%	100%