

**Harrisburg Symphony
Association, Inc.**

Financial Statements and
Supplementary Information

Years Ended June 30, 2021 and 2020
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, 2021 AND 2020

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statement of Activities – Year Ended June 30, 2021	3
Statement of Activities – Year Ended June 30, 2020	4
Statement of Functional Expenses – Year Ended June 30, 2021	5
Statement of Functional Expenses – Year Ended June 30, 2020	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Supplementary Information:

Schedules of Spending Requirements – Educational Tax Credits	30
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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, 2021 and 2020, 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, 2021 and 2020, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of spending requirements – educational tax credits on page 30 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 11, 2021

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents:		
Without donor restrictions	\$ 2,276,315	\$ 2,555,453
With donor restrictions	782,463	288,538
Investments - without donor restrictions	869,938	415,336
Current portion of pledges receivable - net:		
Without donor restrictions	45,379	121,307
With donor restrictions	8,500	58,313
Other receivables, net of allowance of \$20,261 at June 30, 2021 and 2020, respectively	456,525	19,422
Prepaid expenses	66,865	141,619
Total current assets	<u>4,505,985</u>	<u>3,599,988</u>
Property, equipment, and music accessories - net	<u>235,095</u>	<u>271,299</u>
Other assets:		
Investments - with donor restrictions	8,512,796	7,127,485
Cash surrender value of life insurance	7,659	7,388
Total other assets	<u>8,520,455</u>	<u>7,134,873</u>
Total Assets	<u><u>\$ 13,261,535</u></u>	<u><u>\$ 11,006,160</u></u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
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Liabilities:		
<hr/>		
Current liabilities:		
Accounts payable	\$ 75,567	\$ 18,766
Accrued expenses	28,604	31,897
Paycheck protection program - current portion	36,470	166,178
Deferred revenue	583,994	774,531
	<hr/>	<hr/>
Total current liabilities	724,635	991,372
Non-current liabilities		
Paycheck protection program - non-current portion	328,240	207,722
	<hr/>	<hr/>
Total non-current liabilities	328,240	207,722
Gift annuity payable	51,530	50,937
	<hr/>	<hr/>
Total Liabilities	1,104,405	1,250,031
	<hr/>	<hr/>
Net Assets:		
<hr/>		
Without donor restrictions:		
Undesignated	1,091,923	696,797
Board-designated	1,761,448	1,327,358
	<hr/>	<hr/>
	2,853,371	2,024,155
With donor restrictions	9,303,759	7,731,974
	<hr/>	<hr/>
Total Net Assets	12,157,130	9,756,129
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Total Liabilities and Net Assets	\$ 13,261,535	\$ 11,006,160
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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:			
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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
In-kind income	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:			
<hr/>			
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:			
<hr/>			
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 ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions:			
Annual contributions	\$ 728,411	\$ 272,842	\$ 1,001,253
Corporate contributions	201,539	75,500	277,039
Grants:			
Government grants	534,002	-	534,002
Foundation grants	17,750	97,000	114,750
Other grants	-	5,500	5,500
Total public support	<u>1,481,702</u>	<u>450,842</u>	<u>1,932,544</u>
Revenue:			
Concerts	837,342	-	837,342
Program advertising	27,106	-	27,106
Special fundraising events:			
Other events	82,244	-	82,244
Less: cost of direct expenses	(62,135)	-	(62,135)
Interest and dividends, net	19,821	149,373	169,194
Realized and unrealized gains (losses)	11,222	(62,074)	(50,852)
Change in insurance cash surrender value	-	279	279
Other	69,363	-	69,363
In-kind income	45,806	-	45,806
Net assets released from restrictions	500,349	(500,349)	-
Total revenue	<u>1,531,118</u>	<u>(412,771)</u>	<u>1,118,347</u>
Total support and revenue	<u>3,012,820</u>	<u>38,071</u>	<u>3,050,891</u>
Expenses:			
Program services	2,367,761	-	2,367,761
General and administrative	412,148	-	412,148
Fundraising expenses	291,557	-	291,557
Total expenses	<u>3,071,466</u>	<u>-</u>	<u>3,071,466</u>
Change in Net Assets	<u>(58,646)</u>	<u>38,071</u>	<u>(20,575)</u>
Net Assets:			
Beginning of year	2,082,801	7,693,903	9,776,704
End of year	<u>\$ 2,024,155</u>	<u>\$ 7,731,974</u>	<u>\$ 9,756,129</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
In-kind 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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 1,418,810	\$ 128,095	\$ 144,123	\$ 1,691,028
Guest artist/contractor expense	220,456	-	-	220,456
Deferred compensation	50,184	5,913	3,492	59,589
Employee benefits	82,744	31,515	1,290	115,549
Payroll taxes	103,125	14,995	9,126	127,246
Depreciation	-	34,399	-	34,399
Miscellaneous	128,145	25,585	24,701	178,431
Management fees	30,749	1,900	-	32,649
Legal	1,017	-	-	1,017
Accounting	1,000	10,343	2,500	13,843
Lobbying	-	-	55,031	55,031
Advertising	119,688	1,542	20,636	141,866
Office expenses	39,070	32,931	11,187	83,188
Information technology	32,013	10,392	17,558	59,963
Royalties	45,621	-	-	45,621
Occupancy	2,000	51,279	-	53,279
Travel	81,823	1,587	27	83,437
Conferences	-	636	1,279	1,915
Interest	-	738	-	738
Insurance	10,316	14,492	607	25,415
Scholarships	1,000	-	-	1,000
In-kind donations	-	45,806	-	45,806
Total expenses	<u>\$ 2,367,761</u>	<u>\$ 412,148</u>	<u>\$ 291,557</u>	<u>\$ 3,071,466</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,401,001	\$ (20,575)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	41,229	34,399
Realized (gain) loss on sale of investment	(151,505)	20,073
Unrealized (gain) loss on investments	(1,697,964)	30,510
Gain on extinguishment of debt	(373,900)	-
Donated investments	(11,393)	(157,542)
Change in cash surrender value of life insurance	(272)	(279)
(Increase) decrease in:		
Pledges receivable	125,741	131,325
Other receivables	(437,103)	(12,172)
Prepaid expenses	74,754	(23,780)
Increase (decrease) in:		
Accounts payable	56,801	(2,805)
Accrued expenses	(3,293)	(11,801)
Deferred revenue	(190,537)	69,029
Gift annuity payable	593	(12,967)
Net cash and cash equivalents provided by (used in) operating activities	<u>(165,848)</u>	<u>43,415</u>
Cash Flows From Investing Activities:		
Purchase of property, equipment, and music accessories	(5,025)	(36,541)
Purchases of investments	(621,093)	(545,475)
Proceeds from sale of investments	<u>642,043</u>	<u>573,725</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>15,925</u>	<u>(8,291)</u>
Cash Flows From Financing Activities:		
Loan proceeds	<u>364,710</u>	<u>373,900</u>
Net cash provided by financing activities	<u>364,710</u>	<u>373,900</u>
Net Increase in Cash and Cash Equivalents	214,787	409,024
Cash and Cash Equivalents:		
Beginning of year	<u>2,843,991</u>	<u>2,434,967</u>
End of year	<u>\$ 3,058,778</u>	<u>\$ 2,843,991</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Income taxes	<u>\$ 3,498</u>	<u>\$ 622</u>

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

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions	\$ 2,276,315	\$ 2,555,453
With donor restrictions	<u>782,463</u>	<u>288,538</u>
Total cash and cash equivalents shown in the Statement of Cash Flows	<u><u>\$ 3,058,778</u></u>	<u><u>\$ 2,843,991</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, 2021 AND 2020

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.

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, 2021 and 2020, 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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

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.

During the year June 30, 2021, the Association received donated rent from the Whitaker Center for live performances. The Association calculated the fair market value of rent based upon the published cost to rent the facility.

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, 2021, board-designated net assets

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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. At June 30, 2020, board-designated net assets consist of \$92,687 for the Carlisle Summerfair Fund, \$33,756 for the Hathaway Education Fund, \$18,060 for the Education Fund, \$658,880 for various endowments, \$19,520 for the Youth Orchestra Fund, \$29,987 for the unemployment compensation reserve fund, and \$474,468 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.

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 \$108,235 and \$141,866 for the years ended June 30, 2021 and 2020, 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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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.

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.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The Association entered into a contract with the Pennsylvania Department of Community and Economic Development (DCED), 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.

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

Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, and the geographical area in which the Association operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Association and how it will affect the Association. The Association has seen reductions in concert revenue due to limitations on public gatherings. In response to this, the Association maintains a line of credit, has utilized funding made available by the government to provide payroll funding and cover general operating costs, and has moved events to a remote environment.

Adoption of Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended December 31, 2020:

ASU 2018-13, "*Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*". The amendments remove and modify certain fair value hierarchy leveling disclosures. The implementation of these amendments was applied retrospectively to all

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

periods presented. Implementation resulted in financial statement disclosure modifications only.

Pending Accounting Updates

ASU 2016-02, *“Leases (Topic 842),”* is effective for the Association’s financial statements for the year ending June 30, 2023. 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.

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets,”* is effective for the year ending June 30, 2022. The amendments in this update address presentation and disclosure of contributed nonfinancial assets.

Management has not yet determined the impact of these amendments on the Association’s financial statements.

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, 2021

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

and 2020, amounts in excess of the FDIC limit totaled \$2,027,420 and \$1,918,345, 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 \$529,377 and \$393,738 as of June 30, 2021 and 2020, respectively.

3. Investments

The composition of the Association's investment portfolio at June 30, 2021 and 2020 is as follows:

<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>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

<u>June 30, 2020</u>	<u>Original Cost</u>	<u>Fair Value</u>
PNC Institutional Investments:		
Mutual funds	\$ 2,967,550	\$ 3,244,910
Equities	333,768	356,124
Bryn Mawr Company:		
Mutual funds	280,036	315,440
Equities	1,598,645	3,243,688
Vanguard:		
Mutual funds	297,540	301,474
Beneficial interest in assets held by The Foundation for Enhancing Communities		
	<u>83,337</u>	<u>81,185</u>
Total investments	<u>\$ 5,560,876</u>	<u>\$ 7,542,821</u>

Fair values of investments measured on a recurring basis at June 30, 2021 and 2020 are as follows:

<u>June 30, 2021</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	\$ 3,591,999	\$ 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>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

	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, 2020</u>				
PNC Institutional Investments:				
Mutual funds	\$ 3,244,910	\$ 3,244,910	\$ -	\$ -
Equities	356,124	356,124	-	-
Bryn Mawr Company:				
Mutual funds	315,440	315,440	-	-
Equities	3,243,688	3,243,688	-	-
Vanguard:				
Mutual funds	301,474	301,474	-	-
Beneficial interest in assets Held by The Foundation for Enhancing Communities				
	<u>81,185</u>	<u>-</u>	<u>-</u>	<u>81,185</u>
 Total investments	 <u>\$ 7,542,821</u>	 <u>\$ 7,461,636</u>	 <u>\$ -</u>	 <u>\$ 81,185</u>

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

	<u>2021</u>	<u>2020</u>
Balance, July 1	\$ 81,185	\$ 87,521
Change in value	<u>18,488</u>	<u>(6,336)</u>
Balance, June 30	<u>\$ 99,673</u>	<u>\$ 81,185</u>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 197,906	\$ 212,556
Realized gain (loss) on investments	150,808	(44,343)
Unrealized gain (loss) on investment	1,690,036	(6,509)
Investment fees	(49,357)	(43,362)
Change in cash surrender value of life insurance	272	279
Total investment income	<u>\$ 1,989,665</u>	<u>\$ 118,621</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 \$99,673 and \$81,185 as of 2021 and 2020, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

5. Pledges Receivable

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

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 55,879	\$ 181,620
One to five years	-	-
	<u>55,879</u>	<u>181,620</u>
Less allowance	<u>(2,000)</u>	<u>(2,000)</u>
Pledges receivable, net	<u>\$ 53,879</u>	<u>\$ 179,620</u>

6. Property, Equipment, and Music Accessories

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

	<u>2021</u>	<u>2020</u>
Equipment and music accessories	\$ 341,545	\$ 341,545
Website creation and design	23,320	18,295
Less accumulated depreciation	<u>(129,770)</u>	<u>(88,541)</u>
Total	<u>\$ 235,095</u>	<u>\$ 271,299</u>

Depreciation expense totaled \$41,229 and \$34,399 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020:

	<u>Ticket</u>	<u>Sponsorship</u>	<u>Other</u>	<u>Total</u>
Balance at July 1, 2019	\$ 687,642	\$ 16,000	\$ 1,860	\$ 705,502
Revenue recognized	(687,642)	(16,000)	(1,860)	(705,502)
Amounts collected	<u>690,881</u>	<u>83,650</u>	<u>-</u>	<u>774,531</u>
Balance at June 30, 2020	<u>\$ 690,881</u>	<u>\$ 83,650</u>	<u>\$ -</u>	<u>\$ 774,531</u>
	<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>

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

	<u>2021</u>	<u>2020</u>
Ticket income	\$ 498,994	\$ 690,881
Sponsorship income	<u>85,000</u>	<u>83,650</u>
Total deferred revenue	<u>\$ 583,994</u>	<u>\$ 774,531</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 "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,

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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. The Association intends to apply for forgiveness of the PPP Loan with respect to these covered expenses.

To the extent that all or part of the PPP Loan is not forgiven, the Association will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing eleven months from the date of the first disbursement principal and interest payments will be required through the maturity date in March 2026. The terms of the PPP Loan provide for customary events of default, including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

Employer Retention Tax Credit

The Association was eligible to receive an employer retention tax credit (tax credit) during the year ended June 30, 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 June 30, 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, 2021, all barriers had been met, but due to the timing of the application process,

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

these amounts have not been received as of year-end. Qualified employee wages met during the period total \$453,130. This is reported as a government grant and other receivables at year-end.

COVID-19 Cultural and Museum Preservation Grant Program

Starting in July 2020, funds were made available to cultural organizations and museums that experienced a loss of revenue as a result of COVID-19. Lost revenue was calculated using the lesser of the previously approved grant amount or the difference between revenue recognized during the pandemic less any other COVID-19 funds received, offset by the prior three years' average revenue. 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, 2021. The total funds recorded in government grants on the statement of activities totaled \$64,160.

10. Operating Leases Payable

The Association leases office space and equipment. The future minimum lease payments under operating leases are as follows at June 30, 2021:

2022	\$	49,756
2023		50,751
2024		51,766
2025		<u>52,801</u>
Total future minimum lease payments	\$	<u>205,074</u>

Office and equipment rental expense was \$52,581 and \$54,065 for the years ended June 30, 2021, and 2020, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

11. Restrictions on Net Assets

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

	<u>2021</u>	<u>2020</u>
Purpose restricted contributions:		
Let the Music Grow Campaign	\$ 196,994	\$ 303,994
Music in the Key of We	-	321,485
Education	11,464	3,000
Events	72,500	15,000
IT funds	5,000	-
DCED Grant - Musician salaries	500,000	-
	<u>785,958</u>	<u>643,479</u>
Time-restricted contributions	<u>5,005</u>	<u>26,857</u>
Total net assets with donor restrictions	<u>\$ 790,963</u>	<u>\$ 670,336</u>

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

	<u>2021</u>	<u>2020</u>
Endowment Campaign:		
Permanent endowment	\$ 8,413,122	\$ 6,980,453
The Foundation for Enhancing Communities Endowment	<u>99,673</u>	<u>81,185</u>
Total net assets with donor restrictions - permanent	<u>\$ 8,512,795</u>	<u>\$ 7,061,638</u>

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions released		
Endowment return release policy	\$ 460,400	\$ 139,252
Other contributions received and released	<u>284,968</u>	<u>361,097</u>
Total without donor restrictions released	<u>\$ 745,368</u>	<u>\$ 500,349</u>
With donor restrictions released, purpose and time:		
Other contributions received and released	<u>\$ (284,968)</u>	<u>\$ (361,097)</u>
Total with donor restrictions released, purpose and time	<u>\$ (284,968)</u>	<u>\$ (361,097)</u>
With donor restrictions released, permanent:		
Endowment return release policy	<u>\$ (460,400)</u>	<u>\$ (139,252)</u>
Total with donor restrictions released, permanent	<u>\$ (460,400)</u>	<u>\$ (139,252)</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. \$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

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, the Association approved 4.50% (4.50% for the Whitaker Fund) and 2.00% (2% 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 one-to five-year pledge periods. Total Endowment Campaign pledges receivable, net of

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

discounts and allowance for uncollectible promises to give of \$2,000, were \$0 at June 30, 2021 and 2020.

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 (\$38,152) and \$20,109 for the years ended June 30, 2021, and 2020, respectively.

15. 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 \$102,840 (which consists of \$14,840 in donated services and \$88,000 in donated facilities) and \$45,806 (which consists of \$23,970 in donated goods and \$21,836 in donated services) of in-kind contributions as of June 30, 2021 and 2020, 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.

16. Gift Annuity Agreements

As of June 30, 2021, the Association has five 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 \$51,530 and \$50,937 at June 30, 2021 and 2020, respectively.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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 salary for the years ended June 30, 2021 and 2020, which totaled \$24,644 and \$26,752 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, 2021 and 2020.

HARRISBURG SYMPHONY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

	<u>2021</u>	<u>2020</u>
Total assets	\$ 13,261,535	\$ 11,006,160
Less fixed assets	(235,095)	(271,299)
Less prepaids	<u>(66,865)</u>	<u>(141,619)</u>
Total financial assets	12,959,575	10,593,242
Less restricted assets:		
Cash	(780,463)	(288,538)
Investments	(8,829,168)	(7,127,485)
Short-term pledges	-	-
Cash surrender value of life insurance	(7,659)	(7,388)
Board-designated assets	<u>(1,761,448)</u>	<u>(1,327,358)</u>
Total restricted assets	<u>(11,378,738)</u>	<u>(8,750,769)</u>
Financial assets available to meet cash needs for general expenditures in the next year	<u>\$ 1,580,837</u>	<u>\$ 1,842,473</u>

19. Related Party Transactions

The Association's landlord also serves as a board member for the Association. As of June 30, 2021 and 2020, the Association paid \$48,780 and \$49,765 for office rent, respectively.

20. Subsequent Event

Commencing on September 29, 2021 and terminating May 8, 2022, the Association has entered into a new lease agreement for rehearsals and performances. The agreement totals \$61,500.

SUPPLEMENTARY INFORMATION

HARRISBURG SYMPHONY ASSOCIATION, INC.

SCHEDULES OF SPENDING REQUIREMENTS - EDUCATIONAL TAX CREDITS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Amounts received for educational tax credits	<u>\$ 18,500</u>	<u>\$ 28,500</u>
Amounts disbursed for educational programs	<u>\$ 18,500</u>	<u>\$ 28,500</u>
Percentage	100%	100%