

JOHNSTOWN SYMPHONY ORCHESTRA

FINANCIAL REPORT (Reviewed)

June 30, 2022 and 2021



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Analyzing Yesterday. Adjusting Today. Planning Tomorrow.



JOHNSTOWN SYMPHONY ORCHESTRA

**FINANCIAL REPORT
(Reviewed)**

June 30, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2
Statements of Activities	3-4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows	7
Notes to Financial Statements.....	8-22



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

www.barnessaly.com

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
Johnstown Symphony Orchestra
Johnstown, Pennsylvania

We have reviewed the accompanying financial statements of Johnstown Symphony Orchestra (a non-profit organization), 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Johnstown Symphony Orchestra's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

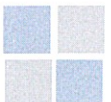
Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Johnstown Symphony Orchestra and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Barnes Saly & Company P.C.
Johnstown, Pennsylvania
January 17, 2023



JOHNSTOWN SYMPHONY ORCHESTRA

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

See Independent Accountant's Review Report

	2022	2021
<i>Assets</i>		
Current Assets:		
Cash and cash equivalents	\$ 135,357	\$ 54,061
Grants and accounts receivable, net	18,120	2,320
Prepaid expenses	3,685	1,408
Total current assets	157,162	57,789
Fixed assets, net of accumulated depreciation	2,165	2,810
Investments	1,195,912	1,487,916
Total assets	\$ 1,355,239	\$ 1,548,515
<i>Liabilities and Net Assets</i>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,940	\$ 11,324
Deferred revenue	112,276	28,220
Line of credit	-	46,514
Total current liabilities	117,216	86,058
Long-term debt	-	47,600
Total liabilities	117,216	133,658
Net Assets:		
Net assets without donor restrictions:		
Undesignated	42,111	(73,059)
Designated by board for endowment	657,590	971,229
Total net assets without donor restrictions	699,701	898,170
Net assets with donor restrictions:		
Restricted in perpetuity - endowment	538,322	516,687
Total net assets	1,238,023	1,414,857
Total liabilities and net assets	\$ 1,355,239	\$ 1,548,515

See Notes to Financial Statements.

JOHNSTOWN SYMPHONY ORCHESTRA

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

See Independent Accountant's Review Report

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and sponsorships	\$ 153,094	\$ 21,635	\$ 174,729
Contributions - annual fund	194,730	-	194,730
Contributions - auxiliary groups	24,088	-	24,088
Contributions - in kind donations	14,314	-	14,314
Special events	90,196	-	90,196
Grants	171,091	-	171,091
Gain on forgiveness on PPP loan	47,600	-	47,600
Admissions	162,820	-	162,820
Youth orchestra	6,836	-	6,836
Program advertising	9,703	-	9,703
Miscellaneous income	9,712	-	9,712
	<hr/>	<hr/>	<hr/>
Total public support and revenue	884,184	21,635	905,819
Investment income (loss), net of fees	(242,562)	-	(242,562)
	<hr/>	<hr/>	<hr/>
Total revenue	641,622	21,635	663,257
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services:			
Regular series	631,261	-	631,261
Nontraditional services	77,114	-	77,114
Supporting services:			
Management and general	78,704	-	78,704
Fundraising	42,810	-	42,810
Special events	10,202	-	10,202
	<hr/>	<hr/>	<hr/>
Total expenses	840,091	-	840,091
	<hr/>	<hr/>	<hr/>
Change in net assets	(198,469)	21,635	(176,834)
Net assets, beginning of year	898,170	516,687	1,414,857
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 699,701</u>	<u>\$ 538,322</u>	<u>\$ 1,238,023</u>

See Notes to Financial Statements.

JOHNSTOWN SYMPHONY ORCHESTRA

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

See Independent Accountant's Review Report

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and sponsorships	\$ 98,042	\$ 24,704	\$ 122,746
Contributions - annual fund	156,953	-	156,953
Contributions - auxiliary groups	8,168	-	8,168
Contributions - in kind donations	21,870	-	21,870
Special events	82,545	-	82,545
Grants	114,205	-	114,205
Gain on forgiveness on PPP loan	47,600	-	47,600
Admissions	5,802	-	5,802
Youth orchestra	5,128	-	5,128
Miscellaneous income	9,106	-	9,106
	<hr/>	<hr/>	<hr/>
Total public support and revenue	549,419	24,704	574,123
Investment income, net of fees	395,976	-	395,976
	<hr/>	<hr/>	<hr/>
Total revenue	945,395	24,704	970,099
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services:			
Regular series	291,863	-	291,863
Nontraditional services	22,127	-	22,127
Supporting services:			
Management and general	48,448	-	48,448
Fundraising	19,926	-	19,926
Special events	29,504	-	29,504
	<hr/>	<hr/>	<hr/>
Total expenses	411,868	-	411,868
	<hr/>	<hr/>	<hr/>
Change in net assets	533,527	24,704	558,231
Net assets, beginning of year	364,643	491,983	856,626
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 898,170</u>	<u>\$ 516,687</u>	<u>\$ 1,414,857</u>

See Notes to Financial Statements.

JOHNSTOWN SYMPHONY ORCHESTRA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

See Independent Accountant's Review Report

	Program Services		Supporting Services			Total
	Regular Series	Nontraditional Series	Management and General	Fundraising	Special Events	
Salaries and wages	\$ 240,493	\$ 7,036	\$ 47,850	\$ 15,939	\$ -	\$ 311,318
Payroll taxes	28,842	1,068	5,008	1,665	-	36,583
Employee benefits	36,450	-	6,835	2,278	-	45,563
Orchestra fees	48,741	13,748	-	-	-	62,489
Production expense	108,829	36,276	-	-	-	145,105
Soloists fees and expenses	11,069	3,690	-	-	-	14,759
Contractors	5,599	1,866	-	-	-	7,465
Rent	7,949	793	1,078	216	-	10,036
Telephone and utilities	4,933	-	925	308	-	6,166
Office expense	18,644	-	3,496	1,165	-	23,305
Postage	4,758	168	708	851	-	6,485
Travel	17,521	-	-	-	-	17,521
Printing	16,567	-	-	1,303	-	17,870
Dues	3,065	-	575	192	-	3,832
Accounting	12,701	-	2,381	794	-	15,876
Consulting fees	144	-	27	9	-	180
Bank fees	5,162	-	5,376	215	-	10,753
Interest expense	89	-	94	4	-	187
Advertising	30,008	7,942	-	287	-	38,237
Music purchased and rented	901	86	-	-	-	987
Insurance	9,931	567	1,968	656	-	13,122
Depreciation	209	-	23	-	-	232
Hospitality	3,616	-	904	-	-	4,520
In-kind expenses	10,405	1,762	1,431	716	-	14,314
Nontraditional expenses	-	-	-	-	-	-
Miscellaneous	4,635	2,112	25	-	-	6,772
Fundraising expenses	-	-	-	16,212	10,202	26,414
Total expenses	\$ 631,261	\$ 77,114	\$ 78,704	\$ 42,810	\$ 10,202	\$ 840,091

See Notes to Financial Statements.

JOHNSTOWN SYMPHONY ORCHESTRA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

See Independent Accountant's Review Report

	Program Services		Supporting Services			Total
	Regular Series	Nontraditional Series	Management and General	Fundraising	Special Events	
Salaries and wages	\$ 129,285	\$ 3,782	\$ 25,723	\$ 8,569	\$ -	\$ 167,359
Payroll taxes	11,710	434	2,033	676	-	14,853
Employee benefits	15,279	-	2,865	955	-	19,099
Orchestra fees	30,308	8,548	-	-	-	38,856
Production expense	1,882	627	-	-	-	2,509
Soloists fees and expenses	-	-	-	-	-	-
Contractors	2,074	691	-	-	-	2,765
Rent	8,360	834	1,134	227	-	10,555
Telephone and utilities	4,275	-	802	267	-	5,344
Office expense	7,440	-	1,395	465	-	9,300
Postage	1,993	70	296	356	-	2,715
Travel	4,645	-	-	-	-	4,645
Printing	2,386	-	-	1,685	-	4,071
Dues	3,647	-	684	228	-	4,559
Accounting	11,360	-	2,130	710	-	14,200
Consulting fees	3,559	-	668	223	-	4,450
Bank fees	1,799	-	1,881	75	6	3,761
Interest expense	3,546	-	3,694	148	-	7,388
Advertising	12,279	3,342	-	121	350	16,092
Music purchased and rented	73	7	-	-	-	80
Insurance	9,525	544	1,888	629	-	12,586
Depreciation	9,100	-	1,011	-	-	10,111
Hospitality	230	-	57	-	-	287
In-kind expenses	15,897	2,692	2,187	1,094	-	21,870
Nontraditional expenses	-	556	-	-	-	556
Miscellaneous	1,211	-	-	131	-	1,342
Fundraising expenses	-	-	-	3,367	29,148	32,515
Total expenses	\$ 291,863	\$ 22,127	\$ 48,448	\$ 19,926	\$ 29,504	\$ 411,868

See Notes to Financial Statements.

JOHNSTOWN SYMPHONY ORCHESTRA

STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

See Independent Accountant's Review Report

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (176,834)	\$ 558,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	232	10,111
Loss on disposal of assets	413	-
Net realized and unrealized (gains) losses on investment:	266,186	(385,885)
Endowment contributions restricted in perpetuity	(21,635)	(24,704)
(Gain) on forgiveness of PPP loan	(47,600)	(47,600)
Changes in assets and liabilities:		
Accounts receivable	(15,800)	(370)
Prepaid expenses	(2,277)	3,459
Accounts payable and accrued expenses	(6,384)	6,933
Deferred revenue	84,056	24,412
Net cash provided by operating activities	80,357	144,587
Cash Flows From Investing Activities:		
Proceeds from sales of investments	1,361,076	831,690
Purchases of investments	(1,313,623)	(803,326)
Net cash provided by investing activities	47,453	28,364
Cash Flows From Financing Activities:		
Payroll Protection Program loan proceeds	-	47,600
Net (decrease) in line of credit	(46,514)	(198,929)
Net cash (used in) financing activities	(46,514)	(151,329)
Net increase in cash and cash equivalents	81,296	21,622
Cash and cash equivalents, beginning of year	54,061	32,439
Cash and cash equivalents, end of year	\$ 135,357	\$ 54,061
Supplemental Information:		
Interest paid	\$ 187	\$ 7,388

See Notes to Financial Statements.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Johnstown Symphony Orchestra (the "Orchestra") is a nonprofit corporation organized under the laws of the State of Pennsylvania and which was established in 1929 to provide musical enrichment for the public in the Johnstown area and to promote music education throughout the local community. The Orchestra has adopted a fiscal year ending June 30.

Basis of Presentation

The Orchestra prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC 958-205, *Not-For-Profit Entities – Presentation of Financial Statements* and FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Orchestra 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.

Revenue, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Orchestra. Net assets without donor restrictions may be designated for specific purposes by actions of the board of directors.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met by actions of the Orchestra and/or that expire by the passage of time.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting periods and the reported amounts of assets and liabilities at the date of the financial statements and disclosures. On an ongoing basis, the Orchestra's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. However, actual results could differ from those estimates.

Cash and Cash Equivalents

The Orchestra considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Grants and Accounts Receivable

All grants and accounts receivables are deemed fully collectible. Grants receivable represents amounts due from granting agencies based on invoices submitted for expenses already incurred. No allowance for doubtful accounts has been established by management as of June 30, 2022 and 2021.

Fixed Assets

Equipment and furniture are recorded at cost at date of purchase or estimated fair value at date of donation. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Expenditures for maintenance and repairs are expensed in the period incurred. The Orchestra has a capitalization policy threshold of \$1,500. Equipment and furniture are depreciated over their estimated useful lives (ranging from 3 to 50 years) using the straight-line method.

The Orchestra has an extensive library of music scores and parts that it has acquired since its inception. The cost of the music scores over the years haven't exceeded the capitalization policy and, therefore, have been expensed.

Investments

The Orchestra reports its investments in marketable securities with readily determinable fair market values and all investments in debt securities at fair value. Investments in mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Orchestra are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The fair value of open-end mutual fund units is determined by the published net asset value per unit at the end of the last trading day of the fiscal year. The Orchestra has entered into a pooled investment arrangement with the Community Foundation for the Alleghenies (CFA) for a portion of its investments. The investment with CFA is valued at fair market value and recorded on a per unit basis. Investment income is distributed among its individual funds at the CFA based on the number of units owned within each fund. Gains and losses, including unrealized gains and losses, are reported as an increase or decrease in net assets without donor restrictions in the statement of activities unless their use is restricted by explicit donor stipulations or law, in which case they are reported as increases or decreases in net assets with donor restrictions. Investment income is presented net of investment advisory and custodial fees.

Admissions Revenue

The Orchestra's concert season usually runs from September through May and includes several major performances. Ticket revenue is received in the form of season ticket purchases, family subscriptions, and single admission tickets. All admissions revenue is recognized when earned.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Public Support

Contributions, including unconditional promises to give, and allocations from other organizations are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. When a donor's restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grant Revenue

Revenue from the Orchestra's government grants and contracts are recognized when eligible expenses relative to the grants and contracts are incurred. Cash received on the grants and contracts in excess of eligible expenses incurred is recorded as deferred revenue. All monies not spent according to the grant and contract agreements at the end of the grant and contract period are to be returned to grantors and contractors. Accordingly, the Orchestra does not maintain any equity in its government grants and contracts.

Deferred Revenue

Deferred revenue represents ticket sales, sponsorships and scholarship donations and will be recognized over the periods to which it relates. The following represents the amounts for the year ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Sponsors	\$ 32,500	\$ -
Season Tickets	76,462	24,906
Youth Scholarship	<u>3,314</u>	<u>3,314</u>
	<u>\$ 112,276</u>	<u>\$ 28,220</u>

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing the Orchestra's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. Accordingly, certain costs have been allocated among program services and management and general as determined by the Orchestra on an equitable basis using time and effort to allocate indirect expenses. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Orchestra. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Advertising Expenses

The Orchestra follows the policy of charging the costs, including in-kind contributions as well as printing and related advertising to expense when the advertisements are first displayed or aired. These advertisements consist primarily of billboard, newspaper, radio, and television ads. Total advertising expenses, including in-kind amounts, was \$38,637 and \$23,283 for the years ended June 30, 2022 and 2021, respectively.

Income Tax Status

The Orchestra is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, there is no provision for income taxes in the financial statements. Contributions to the Orchestra are tax deductible to donors under Sections 170 of the IRC. Management has analyzed the tax positions taken by the Orchestra and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Orchestra's income tax returns are subject to review and examination by federal and state authorities. The Orchestra is not aware of any activities that would jeopardize its tax-exempt status. The Orchestra's tax returns for the years 2018 and forward are open to examination by federal and state authorities.

Auxiliary Groups

The Orchestra is supported by four (4) auxiliary groups that includes the Johnstown Symphony Auxiliary, Somerset Auxiliary of the Johnstown Symphony Orchestra, Johnstown Symphony Youth Orchestra, and the Johnstown Symphony Chorus. The auxiliary groups conduct special event activities for the Orchestra. The Orchestra has determined that the auxiliary groups fall under the tax-exempt status of the Orchestra and based on this, all the auxiliary groups are included in the accompanying financial statements, net of expenses. In addition, the Orchestra has and provides supervision and control over these funds and the auxiliaries provide oversight.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

A significant portion of the Orchestra's grant and contract revenue is received from federal, state and local agencies. Typically, these grants and contract terms are on a short-term basis. The loss of a significant grant or contract could affect the Orchestra's financial position in subsequent years.

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Such audits could result in claims against the Orchestra for disallowed costs of noncompliance within the terms of the grants or contracts. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time, although the Orchestra expects amounts, if any, to be immaterial.

The Orchestra maintains its cash balances in several local financial institutions. The balances at these financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2022 and 2021, the Orchestra had no uninsured cash balances.

Donated Services

No amounts have been recognized in the financial statements for donated services since no objective basis is available to measure the value of such services. Donated services are recognized only if the services received create or enhanced non-financial assets or are services which require specialized skills and are provided by individuals possessing those skills, are measurable and would typically need to be purchased if not provided by donation. Nevertheless, a number of volunteers have given their time to the Orchestra's programs and management.

Subsequent Events

In preparing these financial statements, the Orchestra has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Accountant's Review Report, the date the financial statements were available to be issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these financial statements.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

Accounting Standard Pending

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The effective date of ASU 2016-02 has been delayed one year for nonpublic entities from its original effective date. ASU 2016-02 is now effective for fiscal years beginning after December 15, 2021 (fiscal year ending June 30, 2023 for the Orchestra). Early application of the amendments in ASU 2016-02 is allowed. The Orchestra is currently evaluating the impact of the pending adoption of the new standard on their financial statements.

Note 2: Fixed Assets

Fixed assets consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ -	\$ 73,169
Computer software and equipment	17,900	17,900
Musical equipment	10,331	12,071
Leasehold improvements	<u>-</u>	<u>8,688</u>
Total	28,231	111,828
Accumulated depreciation	<u>(26,066)</u>	<u>(109,018)</u>
Fixed assets, net	<u>\$ 2,165</u>	<u>\$ 2,810</u>

Depreciation expense related to fixed assets amounted to \$232 and \$10,111 for the years ended June 30, 2022 and 2021, respectively. Upon moving to a new office location in the year ending June 30, 2022, fully depreciated office equipment and abandoned leasehold improvements were written off, resulting in a loss on disposal of fixed assets in the amount of \$413.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 3: Investments

Investments as of June 30, 2022 and 2021 are stated at fair market value and consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 210,842	\$ 3,581
Fixed Income	206,524	336,870
Equities	581,780	909,112
CFA-Investment Pool	<u>196,766</u>	<u>238,353</u>
	<u>\$ 1,195,912</u>	<u>\$ 1,487,916</u>

The following table summarizes the net assets composition as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions	\$ 657,590	\$ 971,229
Net assets with donor restrictions	<u>538,322</u>	<u>516,687</u>
	<u>\$ 1,195,912</u>	<u>\$ 1,487,916</u>

The Orchestra has investments in various types of investment securities. These investment securities are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that the changes in risks in the near-term could materially affect the amounts reported in the statements of financial position and statements of activities. The Orchestra attempts to manage these risks by having a diverse investment portfolio that limits concentration.

Investment income on the statement of activities consisted of interest and dividends, realized gains and unrealized (losses) in the amount of \$23,624, \$91,258 and (\$357,444) respectively for the year ending June 30, 2022. Investment fees of \$12,688 were netted against interest and dividend revenue as of June 30, 2022 within the statement of activities.

Investment income on the statement of activities consisted of interest and dividends, realized gains and unrealized gains in the amount of \$10,091, \$185,295 and \$200,590, respectively for the year ending June 30, 2021. Investment fees of \$11,435 were netted against interest and dividend revenue as of June 30, 2021 within the statement of activities.

See Notes 7 and 8 for a description of board designated and restricted net assets as of June 30, 2022 and 2021.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 4: Fair Value Disclosures

Accounting Standards Codification (ASC) 820 requires that assets and liabilities reported at fair value be classified in one of three levels. ASC 820 defines fair value, establishes a framework for measuring fair value, and mandates disclosures about fair value measurements for assets and liabilities carried at fair value.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Orchestra's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Following is a description of the valuation methodologies used for assets measured at fair value:

Fixed income and equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Pooled Investments at the CFA: Valued at the Orchestra's proportionate share of the investments held within the pooled fund.

Investments held in the investment pool are valued using the market value unit method, which assigns a number of units to each participant based on the relationship in the individual participant's investments to the total investments at the time the investments are pooled. Periodically, the pooled assets are valued, and new unit values are assigned and used for valuing additions to, or withdrawals from, the pool for new endowment contributions or withdrawals of endowment funds entering the pool. The Orchestra may withdraw from the pool at any time. Net asset value is based on fair market value of the underlying assets of the funds using quoted market prices when available and alternative methods as provided in the individual trust or pooled fund agreements when quoted market prices are not available. The Orchestra receives a proportionate share of investment returns, expenses, gains and losses based on its proportionate number of units owned in the pooled investments.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 4: Fair Value Disclosures (continued)

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Orchestra's management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of these assets could result in a different fair value measurement at the reporting date.

The following tables sets forth by level within the fair value hierarchy the Orchestra's financial assets and liabilities that were accounted for at fair value on a recurring basis.

Fair value measurements consist of the following as of June 30, 2022 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 210,842	-	-	\$ 210,842
Fixed Income	206,524	-	-	206,524
Equities	<u>581,780</u>	<u>-</u>	<u>-</u>	<u>581,780</u>
Total investments in the fair value hierarchy	<u>\$ 999,146</u>	<u>-</u>	<u>-</u>	999,146
CFA-Investment Pool measured at NAV (a)				<u>196,766</u>
Total investments at fair value				<u>\$1,195,912</u>

Fair value measurements consist of the following as of June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 3,581	-	-	\$ 3,581
Fixed Income	336,870	-	-	336,870
Equities	<u>909,112</u>	<u>-</u>	<u>-</u>	<u>909,112</u>
Total investments in the fair value hierarchy	<u>\$1,249,563</u>	<u>-</u>	<u>-</u>	1,249,563
CFA-Investment Pool measured at NAV (a)				<u>238,353</u>
Total investments at fair value				<u>\$1,487,916</u>

- (a) Certain investments measured at net asset value ("NAV") have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 4: Fair Value Disclosures (continued)

The fair value of mutual funds is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. There were no transfers between the levels during the years ending June 30, 2022 and 2021.

The Orchestra's investments valued at net asset value were as follows as of June 30, 2022:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Funds held in the Consolidated Investment Pool "Core Portfolio" at the Community Foundation for the Alleghenies	\$ 196,766	Daily	None

The Orchestra's investments valued at net asset value were as follows as of June 30, 2021:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Funds held in the Consolidated Investment Pool "Core Portfolio" at the Community Foundation for the Alleghenies	\$ 238,353	Daily	None

Note 5: Line of Credit

The Orchestra maintains a revolving line of credit through a local financial institution in the amount of \$374,000. Borrowings under the line bear interest at rate in effect at the time of the advance based on prime as quoted in the Wall Street Journal plus .50% with a floor of 3.75% and are secured by the assignment of endowment assets up to \$300,000. The interest rate as of June 30, 2021 was 3.75% on the outstanding balance. The outstanding balance was \$-0- and \$46,514 as of June 30, 2022 and 2021, respectively.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 6: Long-Term Debt

On April 14, 2020, the Orchestra received a \$47,600 unsecured Payroll Protection Program Loan ("PPP"), which was established under the Coronavirus Aid, Relief and Economic Security Act ("the Cares Act"). Under the Cares Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments and covered utilities during the measurement period beginning on the date of first disbursement of the PPP loan. The receipt of the funds, and the forgiveness of the loan is dependent on the Orchestra having initially qualified for the loan and qualifying for the forgiveness of such loan based on its adherence to the forgiveness criteria. The Orchestra is using the proceeds from the PPP Loan to fund payroll costs in accordance with the relevant terms and conditions of the Cares Act. The Orchestra is following the government guidelines and tracking costs to be eligible for 100% forgiveness of the loan. To the extent it is not forgiven, the Orchestra would be required to repay that portion at an interest rate of 1% over a period of two years. The PPP loan may be prepaid in whole or in part at any time without penalty. In November 2020, the Orchestra was notified by Somerset Trust Company that \$47,600 in loan principal and \$278 in interest was remitted to Somerset Trust Company by the U.S. Small Business Administration ("SBA"), thereby providing forgiveness to the Orchestra for the payment of these balances. The \$47,600 in loan principal forgiven by the SBA is recorded on the statement of activities as gain from forgiveness of paycheck protection loan for the year end June 30, 2021.

On February 1, 2021, the Orchestra received a second unsecured Payroll Protection Program Loan ("PPP2") in the amount of \$47,600, which was established under the 2021 Consolidated Appropriations Act ("CCA Act"). Eligibility requirements for PPP2 include among other requirements, used up the first PPP loan for eligible expenses, having 300 or fewer employees and experiencing a revenue reduction of 25 percent or greater in 2020 as compared to 2019 for one quarter in 2020. Under the CCA Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered utilities and certain other operational costs during the measurement period beginning on the date of first disbursement of the PPP2 loan. The receipt of the funds, and the forgiveness of the loan is dependent on the Orchestra having initially qualified for the loan and qualifying for the forgiveness of such loan based on its adherence to the forgiveness criteria. The Orchestra will be using the proceeds from the PPP2 Loan to fund payroll and rent costs in accordance with the relevant terms and conditions of the CCA Act. The Orchestra is following the government guidelines and tracking costs to be eligible for 100% forgiveness of the loan. To the extent it is not forgiven, the Orchestra would be required to repay that portion at an interest rate of 1% over a period of five years. Loan payments are deferred for 10 months after the covered period ends or when the Orchestra would receive a forgiveness verdict, whichever comes first. The PPP2 loan may be prepaid in whole or in part at any time without penalty. In September 2021, the Orchestra was notified by Somerset Trust Company that \$47,600 in loan principal was remitted to Somerset Trust Company by the SBA, thereby providing forgiveness to the Orchestra for the payment of this balance. The \$47,600 in loan principal forgiven by the SBA is recorded on the statement of activities as gain from forgiveness of paycheck protection loan for the year end June 30, 2022.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 7: Board Designated Net Assets

The Board approved an Investment Policy for all Board Designated Endowment Funds. The Policy provides the Investment Manager with guidelines and a general framework to effectively allocate, supervise, monitor and evaluate the assets. The Policy also includes an annual transfer into operating funds not to exceed five percent (5%) of the Board Designated Endowment Fund market value.

In October 1982, the Orchestra created a Board Designated Endowment Fund (the "Fund"). The purpose of the Fund is to establish an endowment to further the growth and economic stability of the Orchestra. The fund is managed by outside investment managers. According to the current Endowment Trust Agreement, the original intent of the Orchestra was to utilize the income primarily for capital expenditures.

In conjunction with a concert performance on May 31, 2005, funds were received primarily to honor Congressman and Mrs. John P. Murtha. The purpose of the concert was to exhibit the high quality of the JSO as a major cultural advantage of the area to the major national defense contractors attending Johnstown's Showcase for Commerce. The purpose of the funds, to be designated as the Congressman and Mrs. John P. Murtha Endowment to Benefit the JSO, is to assure the perpetuity of the JSO. Funds and pledges were received over a four (4) to five (5) year period with the final pledges collected in fiscal year 2010, to assure the long-term financial stability of the JSO and its satellite groups. This purpose is in concurrence with the mission of the JSO which is to promote the presentation of high-quality concerts to as broad a public as possible. These funds, while invested separately, are an integral part of the overall Endowment Fund and are to be invested under the guidelines of the established Investment Policy of Endowment.

On April 7, 2006, the membership of the Johnstown Symphony Auxiliary voted to establish a scholarship fund to benefit members of the JS Youth Orchestra in memory of Carole Phizacklea, Auxiliary member. Monies were received in memory of Ms. Phizacklea and the Fund was established. The Auxiliary provides oversight of the Scholarship Fund.

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 8: Net Assets with Donor Restrictions

An Endowment Fund was established in order to allow donors to contribute to this fund through the endowment of specific chairs of the Orchestra. With the endowment of a chair, the name of the person to be honored by the endowment will be associated with that position and will appear in each concert program for the next 100 years. After which time, the name will appear in each program with emeritus status in perpetuity. Chair endowment contributions are restricted by donors in perpetuity. Interest and earnings from chair endowment investments are included in board designated net assets.

In April 1993, the Orchestra entered into an agreement with the CFA to create an Endowment Fund, which is managed by the CFA. The purpose of the fund is to provide a permanent endowment for the Orchestra for the long-term interest and projects of the Orchestra as designated by its Board of Directors. This agreement was amended in May 2019 to state that interest (interest shall be interpreted to include either interest and/or a unitrust distribution equal to not more than 4.5% of the fair market value of the endowment funds assets) earned on the corpus of the endowment will be distributed annually to the Orchestra, unless a written request is provided to the CFA to reinvest the interest earnings. The principal may not be borrowed or used by the Orchestra in any given year. In addition, several donors have established funds within the CFA to benefit the Orchestra. These funds are subject to the same guidelines.

Net assets with donor restrictions amounted to \$538,322 and \$516,687 as of June 30, 2022 and 2021, respectively.

Note 9: Endowments – Board Designated and Restricted in Perpetuity

The following table summarizes endowment fund activity for the year ending June 30, 2022:

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Perpetuity Restricted</u>	
Net assets on June 30, 2021	\$ -	\$ 971,229	\$ 516,687	\$ 1,487,916
Investment income, net	-	23,624	-	23,624
Contributions	-	-	21,635	21,635
Amounts appropriated for expenditures	-	(71,077)	-	(71,077)
Net realized and unrealized (losses)	-	(266,186)	-	(266,186)
Net assets on June 30, 2022	<u>\$ -</u>	<u>\$ 657,590</u>	<u>\$ 538,322</u>	<u>\$ 1,195,912</u>

JOHNSTOWN SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021
See Independent Accountant's Review Report

Note 9: Endowments – Board Designated and Restricted in Perpetuity (continued)

The following table summarizes endowment fund activity for the year ending June 30, 2021:

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Perpetuity Restricted</u>	
Net assets on June 30, 2020	\$ -	\$ 613,708	\$ 491,983	\$ 1,105,691
Investment income, net	-	10,091	-	10,091
Contributions	-	-	24,704	24,704
Amounts appropriated for Expenditures	-	(38,455)	-	(38,455)
Net realized and unrealized gain	-	385,885	-	385,885
Net assets on June 30, 2021	<u>\$ -</u>	<u>\$ 971,229</u>	<u>\$ 516,687</u>	<u>\$ 1,487,916</u>

Note 10: Lease Expense

The Orchestra currently leases its office space under an operating lease with an effective date of June 2022 and an expiration date of May 31, 2027. The monthly rent expense for the office space is \$1,100 as of June 30, 2022. Total rent paid on operating leases amounted to \$8,504 and \$9,261 for the years ending June 30, 2022 and 2021, respectively. During the years ending June 30, 2022 and 2021 the Orchestra also received in-kind contributions for rent amounting to \$12,474 and \$13,118, respectively. Based on the current leases in effect, future minimum lease payments are \$13,200 for the year ending June 30, 2023; \$13,233 for the year ending June 30, 2024; \$13,630 for the year ending June 30, 2025; \$14,039 for the year ending June 30, 2026 and \$13,222 for the year ending June 30, 2027.

Note 11: In-Kind Donations

In-kind donations are valued at their estimated fair market value at the date rendered. A summary of in-kind donations is as follows for the years ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Rent	\$ 12,474	\$ 13,118
Advertising	400	7,190
Professional services	1,440	1,562
Total in-kind revenue and expense	<u>\$ 14,314</u>	<u>\$ 21,870</u>

JOHNSTOWN SYMPHONY ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

See Independent Accountant's Review Report

Note 12: Simple IRA Plan

The Orchestra established a SIMPLE IRA Plan (Plan) for its employees. Under the Plan, the executive director and music director are the only employees currently eligible to participate. The Orchestra will match the employee's contribution up to two percent (2%) of the employee's annual earnings. The Orchestra did not incur any expense under the Plan for the years ending June 30, 2022 and 2021.

Note 13: Liquidity and Availability of Resources

The Orchestra's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows as of June 30, 2022:

Cash and cash equivalents	\$ 135,357
Grants and accounts receivable	18,120
Investments	<u>657,590</u>
Total financial assets available within one year	<u>\$ 811,067</u>

The investments in the amount of \$657,590 has been designated by the board of directors for the endowment fund but would be available for general expenditures with board approval. As part of the Orchestra's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, future planned program funding allocations and other obligations come due.

To help manage liquidity needs, the Orchestra has a line of credit in the amount of \$374,000, which it could draw upon. The line of credit is further discussed in Note 5.

Note 14: Collective Bargaining Agreement

Substantially all of the Orchestra's musicians are covered by a collective bargaining agreement which will expire on August 31, 2025.