

PRINCETON  YMPHONY ORCHESTRA

PRINCETON SYMPHONY ORCHESTRA, INC.
Financial Statements
June 30, 2020 and 2019
With Independent Auditor's Reports

Princeton Symphony Orchestra, Inc.
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June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Trustees,
Princeton Symphony Orchestra, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Princeton Symphony Orchestra, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the internal control relevant to the Organization'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 Organization'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 Princeton Symphony Orchestra, Inc. as of June 30, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, during 2020, the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606), ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) and ASU 2016-01 *Financial Instruments* (Topic 825). Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State of New Jersey, Department of State, State Council on the Arts grant contract and is not a required part of the financial statements. Such supplementary 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 Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2020 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.



November 10, 2020

Princeton Symphony Orchestra, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 474,543	\$ 246,493
Grants receivable	-	21,398
Accounts receivable	13,791	500
Promises to give, current portion	963,434	469,760
Certificates of deposit	261,281	264,450
Prepaid expenses	<u>15,583</u>	<u>37,913</u>
Total current assets	1,728,632	1,040,514
Property and equipment, net	14,336	8,566
Intangible assets, net	30,554	37,898
Promises to give, net of current portion	859,308	1,162,539
Investments	<u>5,865,062</u>	<u>5,203,318</u>
Total assets	<u>\$ 8,497,892</u>	<u>\$ 7,452,835</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 13,256	\$ 2,066
Contract liabilities	<u>179,620</u>	<u>272,669</u>
Total current liabilities	192,876	274,735
Net assets		
Without donor restriction		
Undesignated	372,933	552,832
Board-designated innovation funds	573,421	381,160
Board-designated endowment funds	<u>893,819</u>	<u>745,677</u>
	1,840,173	1,679,669
With donor restriction	<u>6,464,843</u>	<u>5,498,431</u>
Total net assets	<u>8,305,016</u>	<u>7,178,100</u>
Total liabilities and net assets	<u>\$ 8,497,892</u>	<u>\$ 7,452,835</u>

The Notes to Financial Statements are an integral part of these statements.

Princeton Symphony Orchestra, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions						
Individuals, corporations, foundations	\$ 516,291	\$ 1,276,777	\$ 1,793,068	\$ 800,333	\$ 1,929,532	\$ 2,729,865
Government grants	276,392	-	276,392	55,592	-	55,592
Total contributions	792,683	1,276,777	2,069,460	855,925	1,929,532	2,785,457
Contract revenue						
Ticket sales	159,456	-	159,456	207,760	-	207,760
Subscriptions	272,189	-	272,189	234,161	-	234,161
Other performance fees	47,687	-	47,687	57,371	-	57,371
Special events	14,462	-	14,462	215,386	-	215,386
Other revenue	21,766	-	21,766	17,820	-	17,820
Net investment return	361,583	-	361,583	241,211	-	241,211
Net assets released from restrictions	310,365	(310,365)	-	364,399	(364,399)	-
Total revenues	1,980,191	966,412	2,946,603	2,194,033	1,565,133	3,759,166
Expenses						
Program	1,457,268	-	1,457,268	1,446,032	-	1,446,032
General and administrative	175,132	-	175,132	162,074	-	162,074
Fundraising	187,287	-	187,287	287,655	-	287,655
Total expenses	1,819,687	-	1,819,687	1,895,761	-	1,895,761
Changes in net assets	160,504	966,412	1,126,916	298,272	1,565,133	1,863,405
Net assets						
Beginning of year	1,679,669	5,498,431	7,178,100	1,381,397	3,933,298	5,314,695
End of year	\$ 1,840,173	\$ 6,464,843	\$ 8,305,016	\$ 1,679,669	\$ 5,498,431	\$ 7,178,100

The Notes to Financial Statements are an integral part of these statements.

Princeton Symphony Orchestra, Inc.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ 1,126,916	\$ 1,863,405
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	11,497	1,744
Unrealized (gain) on investments	(279,294)	(228,180)
Realized (gain) loss on sale of investments	(41,465)	38,702
Discount on contributions	18,364	39,911
Cash used by changes in		
Grants receivable	21,398	(10,000)
Accounts receivable	(13,291)	1,900
Promises to give	(208,807)	(1,342,638)
Prepaid expenses	22,330	5,135
Accounts payable and accrued expenses	11,190	(20,001)
Contract liabilities	(93,049)	37,674
Proceeds from contributions restricted for endowment	<u>(736,974)</u>	<u>(455,977)</u>
Net cash used in operating activities	(161,185)	(68,325)
Investing activities		
Net transfers to pooled investments	(340,985)	(359,669)
Maturity of certificates of deposit	264,450	120,113
Purchase of certificates of deposit	(261,281)	(282,450)
Purchase of fixed assets	(9,923)	(7,176)
Acquisition of intangible assets	<u>-</u>	<u>(35,250)</u>
Net cash used in investing activities	(347,739)	(564,432)
Financing activities		
Proceeds from contributions restricted for endowment	<u>736,974</u>	<u>455,977</u>
Change in cash and cash equivalents	228,050	(176,780)
Cash and cash equivalents		
Beginning of year	<u>246,493</u>	<u>423,273</u>
End of year	<u>\$ 474,543</u>	<u>\$ 246,493</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

Princeton Symphony Orchestra, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program			Supporting Services		Total
	Orchestra	Education and Outreach	Total Program	General and Administrative	Fundraising	
Salaries	\$ 785,992	\$ 182,682	\$ 968,674	\$ 60,739	\$ 99,476	\$ 1,128,889
Payroll taxes	60,317	12,301	72,618	5,294	7,623	85,535
Employee benefits	15,229	8,842	24,071	4,929	7,097	36,097
Consultants and professional fees	96,293	1,166	97,459	37,763	-	135,222
Advertising	86,134	-	86,134	2,510	-	88,644
Office expense	4,177	774	4,951	13,441	1,868	20,260
Dues and subscriptions	4,865	-	4,865	3,731	-	8,596
IT expense	8,423	-	8,423	17,814	5,280	31,517
Occupancy	57,662	16,189	73,851	7,317	9,266	90,434
Travel and entertainment	17,693	1,553	19,246	7,940	19,588	46,774
Depreciation	-	-	-	11,497	-	11,497
Insurance	21,573	4,770	26,343	2,157	2,730	31,230
Special event expenses	-	-	-	-	34,359	34,359
Production costs	66,708	3,925	70,633	-	-	70,633
	<u>\$ 1,225,066</u>	<u>\$ 232,202</u>	<u>\$ 1,457,268</u>	<u>\$ 175,132</u>	<u>\$ 187,287</u>	<u>\$ 1,819,687</u>

The Notes to Financial Statements are an integral part of this statement.

Princeton Symphony Orchestra, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program			Supporting Services		
	Orchestra	Education and Outreach	Total Program	General and Administrative	Fundraising	Total
Salaries	\$ 722,477	\$ 188,865	\$ 911,342	\$ 61,267	\$ 92,498	\$ 1,065,107
Payroll taxes	57,921	11,198	69,119	4,600	7,087	80,806
Employee benefits	14,359	8,153	22,512	4,351	6,705	33,568
Consultants and professional fees	60,432	3,795	64,227	26,626	6,341	97,194
Advertising	106,716	-	106,716	2,566	-	109,282
Office expense	4,968	977	5,945	15,930	2,713	24,588
Dues and subscriptions	4,192	-	4,192	10,029	-	14,221
IT expense	8,582	-	8,582	15,465	9,683	33,730
Occupancy	88,933	23,303	112,236	7,559	11,413	131,208
Travel and entertainment	19,578	4,252	23,830	10,296	38,721	72,847
Depreciation	-	-	-	1,744	-	1,744
Insurance	19,342	5,056	24,398	1,641	2,476	28,515
Special event expenses	-	-	-	-	110,018	110,018
Production costs	87,616	5,317	92,933	-	-	92,933
	<u>\$ 1,195,116</u>	<u>\$ 250,916</u>	<u>\$ 1,446,032</u>	<u>\$ 162,074</u>	<u>\$ 287,655</u>	<u>\$ 1,895,761</u>

The Notes to Financial Statements are an integral part of this statement.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

1. NATURE OF ORGANIZATION

Princeton Symphony Orchestra, Inc. (the "Organization") is a fully professional ensemble that offers orchestral, pops, and chamber music programs complemented by a variety of lectures and events to enhance audience understanding and enjoyment and to reinforce music's essential role in the life of the greater Princeton community. The Organization also offers a comprehensive music education program, PSO BRAVO! serving students of all ages with performances, coaching and music instruction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of trustees. Board designated funds are also presented in net assets without donor restrictions.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the net present value of promises to give, the net asset value of investments and the functional allocation of expenses.

Cash and Cash Equivalents

The Organization considers all cash held in money market accounts to be cash equivalents, as well as debt securities with an initial maturity of three months or less from the date of acquisition.

Certificates of Deposit

Certificates of deposit are stated at cash plus accrued interest. Certificates of deposit maturity dates range from September 2020 to July 2021 and interest rates range from 1.14%-2.48%.

Investments

The Organization's investments in Princeton Area Community Foundation ("PACF") are carried at net asset value (see Note 5) in the statements of financial position. Net investment return (including realized and unrealized gains and losses on investments, interest and dividends, net of direct internal and external investment expenses) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

Receivables and Credit Policies

Accounts receivable are uncollateralized, non-interest bearing, customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer; grants and promises to give are stated at the amounts earned under the grant or pledge agreement. Payments of accounts receivable are allocated to specific invoices identified on the customer's remittance advice, or if unspecified, are applied to the earliest unpaid invoices.

Accounts receivable balances over 90 days old from the invoice date are considered delinquent. At June 30, 2020 and 2019, there were no delinquent accounts. The carrying amounts of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management has determined that no allowance for uncollectible accounts was required at June 30, 2020 and 2019.

Revenue and Support Recognition

Contributions and Promises to Give

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as grant advances payable. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the statements of financial position. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Organization was the recipient of funding through the Coronavirus Aid, Relief and Economic Security ("CARES") Act Paycheck Protection Program ("PPP"). The Organization treated this funding as a conditional contribution and recognized the revenue as the conditions were met, as defined in the PPP agreement. The Organization recognized \$230,800 during 2020, which is included in contribution revenue in the statements of activities and changes in net assets.

In-Kind Donations

In-kind donations are recorded at their estimated fair value determined on the date of contribution. The Organization had no in-kind donations of services at June 30, 2020 and 2019. The Organization had in-kind donations of auction items of \$3,781 and \$13,813 at June 30, 2020 and 2019, respectively.

Revenue from Contracts with Customers

The Organization accounts for subscriptions and ticket fees in accordance with ASC 606. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities in the statements of financial position.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

The following summarizes the Organization's performance obligations:

Ticket Sales, Other Performance Fees and Special Events

Ticket sales represents the sums actually paid for individual tickets of admission to a production of the Organization. Tickets are non-refundable at the time of receipt, unless a performance is cancelled. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Ticket sales are recognized at a specific point in time, which is when the performance related to the ticket is complete.

Subscriptions

Subscription income represents income received for the sale of the ticket subscription series. The customer purchases a package of tickets to multiple shows over the current years' season. Tickets are non-refundable at the time of receipt, unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material and generally, they ask if the patron would like to contribute the funds instead of receiving the refunds. Tickets for future performances in the purchased subscription are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket in the subscription package is complete. Subscription income is recognized over a period of time, which is the completion of a single performance in the subscription package.

Other Revenue

Other revenue represents income received for sponsorships and advertisements within performance programs. Sponsorships and advertisements are non-refundable at the time of receipt and any advertisements purchased in advance are recorded as contract liabilities by the Organization. Sponsorships and advertisements purchased are recorded as revenue when the performance that the program booklet relates to is complete. Sponsorships and advertisement revenue are recognized over a period of time, which is the completion of a single performance in the series when the booklet is provided to audience members.

Property and Equipment

Property and equipment are stated at cost. Generally, acquisitions over \$500 are capitalized. Maintenance and repairs that do not improve or extend the lives of assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, which is generally 5-7 years for furniture, fixtures and equipment.

Website

Capitalized website expense is stated at cost. Amortization is computed using the straight-line method over the estimated useful life of the related asset, which is 5 years.

Trademark

Trademark is stated at cost and is amortized over 10 years using the straight-line method.

Tax Exempt Status

The Organization was incorporated in the State of New Jersey as a nonprofit organization on July 11, 1980. The Organization has received a determination from the Internal Revenue Service granting exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization had no unrecognized tax benefits at June 30, 2020 and 2019 and has incurred no interest or penalties related to income taxes for the periods presented in the financial statements.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and have been detailed on the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense Category</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes	Salaries
Employee benefits	Salaries
Insurance	Salaries
Occupancy	Salaries
Telephone (included in office)	Salaries

Advertising Costs

The Organization uses advertising to promote its concerts and outreach programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising and promotion costs amounted to \$88,644 and \$109,282 for the years ended June 30, 2020 and 2019, respectively.

Reclassifications

Certain amounts in the June 30, 2019 financial statements have been reclassified to the 2020 financial statement presentation. These changes had no effect on previously reported changes in net assets.

New Accounting Pronouncements Adopted in Current Year

Revenue from Contracts with Customers

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, which requires the deferral of incremental costs (primarily commissions) of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Organization adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. No adjustment to net assets as of July 1, 2019 was necessary. The Organization applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Adoption of the new guidance resulted in minimal changes to the Organization's accounting policies for revenue recognition, trade and other receivables and contract liabilities.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

Revenue Recognition – Contributions Received and Made

Effective July 1, 2019, the Organization adopted ASU 2018-08 – *Not-for-profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The Organization adopted this on a modified prospective basis. The adoption of this ASU had no impact on opening balance net assets or the manner in which the Organization records contributions.

Financial Instruments

Effective July 1, 2019, the Organization adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825). This ASU includes guidance for equity investments held by a not-for-profit organization and adds guidance on the comprehensibility of investments in debt securities. It also requires the measurement of certain equity investments such as venture capital funds, and partnership interests in accordance with ASC 958-321. The adoption of this ASU had no impact on opening balance net assets or financial statement disclosures.

New Accounting Pronouncements Issued Not Yet Effective

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, financial assets and liquidity resources available within one year for general expenditures were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents, without restriction	\$ 474,543	\$ 246,493
Certificates of deposit	261,281	264,450
Grants receivable	-	21,398
Accounts receivable	<u>13,791</u>	<u>500</u>
Total financial assets	749,615	532,841
Liquidity resources		
Estimated annual draw from investment funds	<u>312,000</u>	<u>285,000</u>
Total financial assets and liquidity resources	<u>\$ 1,061,615</u>	<u>\$ 817,841</u>

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The goal of the Organization is to have annual operating revenue cover expenses. Annually the Organization draws funds from its endowment in accordance with its spending policy (see Note 11) to cover operating expenses. In addition, the Organization has board designated net assets as of June 30, 2020 and 2019 of approximately \$1,467,000 and \$1,217,000, respectively, that could be utilized upon approval of the board of trustees.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Contract balances relating to receivables, contract assets and deferred revenue (contract liabilities) from contracts with customers were as follows at June 30:

	<u>Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
June 30, 2020	\$ 13,791	\$ -	\$ 179,620
June 30, 2019	\$ 500	\$ -	\$ 272,669
June 30, 2018	\$ 2,400	\$ -	\$ 234,995

5. PROMISES TO GIVE

Promises to give are due as follows at June 30:

	<u>2020</u>	<u>2019</u>
Due in the next year (2021)	\$ 963,434	\$ 469,760
Due in 1-5 years	877,672	1,202,450
	1,841,106	1,672,210
Less: Discount on promises to give	(18,364)	(39,911)
	<u>\$ 1,822,742</u>	<u>\$ 1,632,299</u>

At June 30, 2020 and 2019, promises to give were discounted using the risk-free rate, which was 0.65% and 1.75%, respectively.

6. POOLED INVESTMENT HELD BY PACF

Investments are held in pooled funds invested with the Princeton Area Community Foundation, Inc. ("PACF"). As a participant in the pooled funds, the Organization's ownership interest is based on the units held by the Organization to the total of all units in the pooled funds. The pool is revalued monthly and income and gains or losses are allocated to the participants based on their units.

The market value and cost of the pooled investments is as follows at June 30:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Pooled investments	<u>\$ 4,441,311</u>	<u>\$ 5,865,062</u>	<u>\$ 4,058,861</u>	<u>\$ 5,203,318</u>

Princeton Symphony Orchestra, Inc.
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Pooled separate accounts: Units held in pooled separate accounts are valued based at the net asset value (“NAV”) of the shares held by the Plan at year end, which is based on the unit prices quoted by the fund, representing the fair value of the underlying investment.

Investment income related to the pooled investments for the years ended June 30, 2020 and 2019, comprised the following:

	<u>2020</u>	<u>2019</u>
Dividends & interest	\$ 69,482	\$ 78,569
Realized gain (loss)	41,465	(38,702)
Unrealized gain	279,294	228,180
Investment fees	<u>(28,658)</u>	<u>(26,836)</u>
	<u>\$ 361,583</u>	<u>\$ 241,211</u>

The Organization uses NAV to determine the fair value of certain investments by major category as of June 30, 2020 and 2019:

<u>Category of Investment</u>	<u>Investment Strategy</u>	<u>NAV - 2020</u>	<u>NAV - 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Pooled fund	Long-Term Growth	\$ 5,865,062	\$ 5,203,318	None	None	None

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$ 29,682	\$ 26,566
Less: Accumulated depreciation	<u>(15,346)</u>	<u>(18,000)</u>
Furniture and fixtures, net	<u>\$ 14,336</u>	<u>\$ 8,566</u>

Depreciation expense amounted to \$4,153 and \$1,450 for the years ended June 30, 2020 and 2019, respectively. The Organization disposed of fully depreciated equipment with a cost of \$6,807 for the year ending June 30, 2019.

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8. INTANGIBLE ASSETS

Intangible assets consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cost		
Website	\$ 35,250	\$ 35,250
Trademarks	2,942	2,942
	<u>38,192</u>	<u>38,192</u>
Less: Accumulated amortization		
Website	(7,050)	-
Trademarks	(588)	(294)
	<u>(7,638)</u>	<u>(294)</u>
Intangible assets, net	<u>\$ 30,554</u>	<u>\$ 37,898</u>

Amortization expense amounted to \$7,344 and \$294 for the years ended June 30, 2020 and 2019, respectively.

9. NET ASSETS

Restricted net assets are available for the following purposes or periods at June 30:

	<u>2020</u>	<u>2019</u>
Restricted for Projects		
Support for 2019-2020 projects	\$ -	\$ 24,050
Support for 2020-2021 projects	33,000	-
Support for Sustainability	3,100	3,100
Time and purpose restricted	217,073	114,660
Subtotal restricted for Projects	253,173	141,810
Restricted for PSO Endowment	4,025,984	3,715,984
Restricted for Next 10! Endowment	2,185,686	1,640,637
	<u>\$ 6,464,843</u>	<u>\$ 5,498,431</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows at June 30:

	<u>2020</u>	<u>2019</u>
Purpose restriction accomplished	\$ 120,705	\$ 185,079
Time restriction expired	189,660	179,320
	<u>\$ 310,365</u>	<u>\$ 364,399</u>

Princeton Symphony Orchestra, Inc.
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10. ENDOWMENT FUNDS

The Organization's endowment consists of 2 funds, the PSO Endowment and the Next 10! Campaign endowment fund which are invested in a pooled investment fund (see Note 5) established for funding special projects that may arise and for generating operating income. The endowment consists of gifts restricted for long-term support of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization's endowment policy allows it to draw on the funds if a majority of the Board agrees to do so for a specific purpose. As a result of this interpretation, the Organization classified as net assets with restrictions (a) the original value of gifts donated to the restricted endowment and (b) the original value of subsequent gifts to the restricted endowment. The remaining portion of donor-restricted endowment fund is classified as net assets without donor restrictions, subject to board designation, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by state law and the Organization's spending policy.

The Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) the duration and preservation of the funds
- (2) the purposes of the Organization and the endowment funds
- (3) general economic conditions
- (4) the possible effect of inflation and deflation
- (5) the expected total return from income and appreciation of investments
- (6) other resources of the Organization
- (7) the investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The Organization accumulates earnings through the board-designated portion of the endowment and upon board approval, releases the funds to operations. The Organization distributes annually an amount equal to a percentage of the value of the endowment funds calculated based upon the average of the total investment portfolio over the preceding 36 months. The board approved a distribution of \$285,000 and \$200,000 for the years ended June 30, 2020 and 2019, respectively.

Princeton Symphony Orchestra, Inc.
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The following table provides information regarding the change in endowment net assets for the years ended June 30, 2020 and 2019:

	June 30, 2020				
	Board Designated		With Donor Restrictions		Total
	Endowment Funds	Innovation Funds	PSO Endowment	Next 10! Endowment	
Endowment net assets at July 1, 2019	\$ 745,677	\$ 381,160	\$ 3,715,984	\$ 1,640,637	\$ 6,483,458
Contributions	-	211,802	310,000	545,049	1,066,851
Unrealized gains on investments	256,976	20,716	-	-	277,692
Realized gains on investments	38,599	3,081	-	-	41,680
Investment income, net of fees	32,567	1,662	-	-	34,229
Income allocated for spending	(180,000)	(45,000)	-	-	(225,000)
Endowment net assets at June 30, 2020	<u>\$ 893,819</u>	<u>\$ 573,421</u>	<u>\$ 4,025,984</u>	<u>\$ 2,185,686</u>	<u>\$ 7,678,910</u>
	June 30, 2019				
	Board Designated		With Donor Restrictions		Total
	Endowment Funds	Innovation Funds	PSO Endowment	Next 10! Endowment	
Endowment net assets at July 1, 2018	\$ 724,300	\$ 277,965	\$ 3,700,866	\$ -	\$ 4,703,131
Contributions	-	113,100	15,118	1,640,637	1,768,855
Unrealized gains on investments	213,017	15,094	-	-	228,111
Realized losses on investments	(36,022)	(2,285)	-	-	(38,307)
Investment income, net of fees	44,382	2,286	-	-	46,668
Income allocated for spending	(200,000)	(25,000)	-	-	(225,000)
Endowment net assets at June 30, 2019	<u>\$ 745,677</u>	<u>\$ 381,160</u>	<u>\$ 3,715,984</u>	<u>\$ 1,640,637</u>	<u>\$ 6,483,458</u>

Board Designated Net Assets

The Organization has two board designated funds as follows:

Endowment Funds - As part of the Next 10! Campaign and the PSO Endowment, interest earned from gifts designated for the endowment funds will be used for initiatives at the core of the Organization's mission. Investments are made following a Board-approved policy designed to maintain the long-term buying power of the principal. Fund withdrawals are subject to a majority Board vote with a draw level limit of 5%.

Innovation Funds – The innovation funds consist of the Arnie Snider Fund and the Next 10! Innovation Fund and represent a Board-designated fund created to enable strategic programmatic investments that advance the mission of the Organization. These Funds will allow the Organization to implement innovative programs and projects that have an immediate impact within the community. Unlike the Endowment Funds, the Innovation Funds are not subject to a limited draw, but as Board-designated funds, they are still protected by the Organization's investment policy that requires Board approval in order to authorize any withdrawal of funds.

11. COMMITMENTS

Operating Leases

The Organization has a non-cancelable lease for office space which began July 2015 and expired July 2020. Rental expense from the office space lease amounted to \$26,160 and \$25,476 for the years ending June 30, 2020 and 2019, respectively.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

Employment Contracts

The Organization has employment agreements with two employees that expire in 2021 and 2022. Future annual payments due under these agreements are as follows for the years ending June 30:

2021	\$ 238,000
2022	<u>115,000</u>
	<u>\$ 353,000</u>

12. RELATED PARTY TRANSACTIONS

For the years ending June 30, 2020 and 2019, contributions from Board of Trustees amounted to approximately \$251,000 and \$488,000, respectively.

13. CONCENTRATION OF CREDIT RISK

The Organization maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances.

Receivable Concentrations

At June 30, 2020, the Organization had 1 donor that comprised 76% of outstanding receivables. At June 30, 2019, the Organization had 1 donor which comprised 80% of receivables.

Revenue Concentrations

At June 30, 2020, the Organization had 1 donor that comprised approximately 12% of total contribution revenue. At June 30, 2019, the Organization had 1 donor that comprised approximately 50% of total contribution revenue.

Concentration of Labor Subject to Collective Bargaining Agreement

The Organization has an agreement with the American Federation of Musicians, Local 62 of the American Federation of Musicians which is in effect from July 1, 2017 through June 30, 2021. At June 30, 2020, the Organization had a total of approximately 180 employees. Approximately 95% of the Organization's employees are represented by a union.

Risks Related to Contagious Disease

The current outbreak of a novel strain of coronavirus ("COVID-19") first identified in Wuhan, China is significantly impacting businesses across the world. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern". The Organization was significantly impacted by COVID-19 as they were unable to hold in person live performances for a portion of fiscal year 2020. The Organization was required to change its method of delivery of the performances until the restrictions from COVID-19 are lifted. The duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time. The extent to which the coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

Princeton Symphony Orchestra, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of November 10, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Trustees,
Princeton Symphony Orchestra, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Princeton Symphony Orchestra, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith & Brown, PC

November 10, 2020

**Princeton Symphony Orchestra, Inc.
 Schedule of Expenditures of State Financial Assistance
 Year Ended June 30, 2020**

<u>Grantor/Program Title</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Award Amount</u>	<u>Total Expenditures</u>
State of New Jersey Department of State State Council on Arts General operating support	2002X010050	07/01/19-06/30/20	\$ 45,592	\$ 45,592

Basis of Presentation

The schedule of expenditures of state financial assistance includes the state grant activity of Princeton Symphony Orchestra, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Organization's grant agreement with the State of New Jersey, Department of State, State Council on the Arts. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

See Independent Auditors' Report.

**Princeton Symphony Orchestra, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2020**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted	No

Section 2 – Financial Statement Findings

None

Section 3 – State Award Findings and Responses

None

See Independent Auditors’ Report.

Princeton Symphony Orchestra, Inc.
Schedule of Prior Year's Findings and Responses
Year Ended June 30, 2020

No findings or responses in prior year's audit.

See Independent Auditors' Report.