

PRINCETON  YMPHONY ORCHESTRA

**PRINCETON SYMPHONY ORCHESTRA, INC.**  
**Financial Statements**  
**June 30, 2021 and 2020**  
**With Independent Auditor's Reports**

**Princeton Symphony Orchestra, Inc.**  
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**June 30, 2021 and 2020**

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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, 2021 and 2020, 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 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, 2021 and 2020, 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.

## Other Matters

### Restatement – Correction of Net Assets

The Organization restated its opening balance net assets to reclassify a portion of accumulated earnings from net assets without donor restrictions to net assets with donor restrictions (See note 14).

### 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 federal awards and 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 xx, 2021 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 12, 2021

**Princeton Symphony Orchestra, Inc.**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>Restated 2020</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 678,074	\$ 474,543
Grants receivable	428,216	-
Accounts receivable	2,500	13,791
Promises to give, current portion	520,502	963,434
Certificates of deposit	129,236	261,281
Prepaid expenses	<u>5,858</u>	<u>15,583</u>
Total current assets	1,764,386	1,728,632
Property and equipment, net	10,297	14,336
Intangible assets, net	23,209	30,554
Promises to give, net of current portion	840,788	859,308
Investments	<u>8,831,345</u>	<u>5,865,062</u>
Total assets	<u>\$ 11,470,025</u>	<u>\$ 8,497,892</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 161,510	\$ 13,256
Contract liabilities	<u>5,900</u>	<u>179,620</u>
Total liabilities	<u>167,410</u>	<u>192,876</u>
Net assets		
Without donor restrictions		
Undesignated	862,592	372,930
Board-designated innovation funds	<u>725,204</u>	<u>573,424</u>
	1,587,796	946,354
With donor restrictions	<u>9,714,819</u>	<u>7,358,662</u>
Total net assets	<u>11,302,615</u>	<u>8,305,016</u>
Total liabilities and net assets	<u>\$ 11,470,025</u>	<u>\$ 8,497,892</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, 2021 and 2020**

	2021			2020 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>						
Contributions						
Individuals, corporations, foundations	\$ 652,909	\$ 1,072,029	\$ 1,724,938	\$ 516,291	\$ 1,276,777	\$ 1,793,068
Government grants	808,271	-	808,271	276,392	-	276,392
Total contributions	1,461,180	1,072,029	2,533,209	792,683	1,276,777	2,069,460
Contract revenue						
Ticket sales	18,807	-	18,807	159,456	-	159,456
Subscriptions	176,574	-	176,574	272,189	-	272,189
Other performance fees	10,587	-	10,587	47,687	-	47,687
Special events	134,059	-	134,059	14,462	-	14,462
Other revenue	2,300	-	2,300	21,766	-	21,766
Net investment return	136,939	1,617,301	1,754,240	33,441	328,142	361,583
Net assets released from restrictions	333,173	(333,173)	-	490,365	(490,365)	-
Total revenues	2,273,619	2,356,157	4,629,776	1,832,049	1,114,554	2,946,603
<b>Expenses</b>						
Program	1,147,556	-	1,147,556	1,457,268	-	1,457,268
General and administrative	296,672	-	296,672	175,132	-	175,132
Fundraising	187,949	-	187,949	187,287	-	187,287
Total expenses	1,632,177	-	1,632,177	1,819,687	-	1,819,687
<b>Changes in net assets</b>	641,442	2,356,157	2,997,599	12,362	1,114,554	1,126,916
<b>Net assets</b>						
Beginning of year, as previously stated	946,354	7,358,662	8,305,016	1,679,669	5,498,431	7,178,100
Restatement (See Note 14)	-	-	-	(745,677)	745,677	-
Beginning of year, as restated	946,354	7,358,662	8,305,016	933,992	6,244,108	7,178,100
End of year	\$ 1,587,796	\$ 9,714,819	\$ 11,302,615	\$ 946,354	\$ 7,358,662	\$ 8,305,016

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

**Princeton Symphony Orchestra, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>Restated 2020</u>
<b>Operating activities</b>		
Changes in net assets	\$ 2,997,599	\$ 1,126,916
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	11,384	11,497
Unrealized gain on investments	(1,643,516)	(279,294)
Realized gain on sale of investments	(85,738)	(41,465)
Discount on contributions	39,505	18,364
Bad debt expense	20,000	-
Cash used by changes in		
Grants receivable	(428,216)	21,398
Accounts receivable	(8,709)	(13,291)
Promises to give	421,947	(208,807)
Prepaid expenses	9,725	22,330
Accounts payable and accrued expenses	148,254	11,190
Contract liabilities	(173,720)	(93,049)
Contributions restricted for endowment	<u>(1,270,585)</u>	<u>(772,058)</u>
Net cash provided by (used in) operating activities	<u>37,930</u>	<u>(196,269)</u>
<b>Investing activities</b>		
Net transfers to pooled investments	(1,237,029)	(340,985)
Maturity of certificates of deposit	261,281	264,450
Purchase of certificates of deposit	(129,236)	(261,281)
Purchase of fixed assets	<u>-</u>	<u>(9,923)</u>
Net cash used in investing activities	<u>(1,104,984)</u>	<u>(347,739)</u>
<b>Financing activity</b>		
Contributions restricted for endowment	<u>1,270,585</u>	<u>772,058</u>
Net cash provided by financing activity	<u>1,270,585</u>	<u>772,058</u>
Net change in cash and cash equivalents	203,531	228,050
<b>Cash and cash equivalents</b>		
Beginning of year	<u>474,543</u>	<u>246,493</u>
End of year	<u>\$ 678,074</u>	<u>\$ 474,543</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for income taxes	<u>\$ 693</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, 2021**

	Program			Supporting Services		
	<u>Orchestra</u>	<u>Education and Outreach</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 683,599	\$ 193,757	\$ 877,356	\$ 82,563	\$ 111,704	\$ 1,071,623
Payroll taxes	51,966	9,945	61,911	6,128	8,307	76,346
Employee benefits	17,664	9,063	26,727	6,049	8,200	40,976
Consultants and professional fees	9,650	-	9,650	121,091	-	130,741
Advertising	16,588	-	16,588	1,533	-	18,121
Office expense	3,409	882	4,291	7,457	1,769	13,517
Dues and subscriptions	5,290	-	5,290	2,843	-	8,133
IT expense	33	-	33	23,686	10,589	34,308
Occupancy	16,313	23,591	39,904	10,053	13,601	63,558
Travel and entertainment	2,843	137	2,980	2,588	1,616	7,184
Depreciation and amortization	-	-	-	11,384	-	11,384
Insurance	10,567	3,044	13,611	1,297	1,755	16,663
Special event expenses	-	-	-	-	30,408	30,408
Production costs	85,722	3,493	89,215	-	-	89,215
Bad debt	-	-	-	20,000	-	20,000
	<u>\$ 903,644</u>	<u>\$ 243,912</u>	<u>\$ 1,147,556</u>	<u>\$ 296,672</u>	<u>\$ 187,949</u>	<u>\$ 1,632,177</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, 2020**

	<u>Program</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Orchestra</u>	<u>Education and Outreach</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
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 and amortization	-	-	-	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.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**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 on the accrual basis of accounting 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 U.S. 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 July 2021 to October 2021 and interest rates range from 0.09%-1.74%.

**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, 2021 and 2020**

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**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, 2021 and 2020, 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, 2021 and 2020.

**Revenue and Support Recognition**

*Contributions, Government Grants 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. As of June 30, 2021 and 2020, the Organization has no conditional grants. When a donor restriction expires, net assets with donor restrictions 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.

On April 22, 2020, the Organization issued an unsecured promissory note (the "PPP Loan") for \$230,800 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 8-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The PPP Loan was made through PNC Bank (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on June 22, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the Covered Period, or April 12, 2021.

When it applied for the loan, the Organization believed it would qualify to have the loan forgiven under the terms of PPP, and therefore considered the loan to be a conditional government grant. The Organization has performed initial calculations for PPP Loan forgiveness and expects that the PPP Loan will be forgiven in full because 1) the Organization has, prior to June 30, 2020, utilized all of the proceeds for payroll and other qualified expenses and 2) the Organization believes it will continue to comply with other terms and conditions necessary for forgiveness.

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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The Organization concluded that the PPP Loan should be accounted for as a government grant. Under the provisions of ASC 958-605, the PPP Loan represents, in substance, a grant that is expected to be forgiven (a conditional contribution). The conditional contribution is recognized as grant income at a point in time once the conditions of release have been met or explicitly waived; or over a period of time as it incurs qualifying PPP expenses. As discussed above, the Organization believes that it is probable that it met the terms of forgiveness prior to June 30, 2020. Accordingly, the Organization recognized PPP grant income for the full amount of the PPP Loan in the accompanying statement of activities, and no liability for the PPP Loan is reflected in the accompanying statement of financial position.

The Organization submitted for PPP Loan forgiveness and received authorization from the SBA and the lender that the loan was forgiven on November 5, 2021.

On January 25, 2021, the Organization issued an unsecured promissory note (the "PPP Loan") for \$230,800 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The PPP Loan was made through PNC Bank (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on July 12, 2023. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the Covered Period, or May 12, 2022.

When it applied for the loan, the Organization believed it would qualify to have the loan forgiven under the terms of PPP, and therefore considered the loan to be a conditional government grant. The Organization has performed initial calculations for PPP Loan forgiveness and expects that the PPP Loan will be forgiven in full because 1) the Organization has, prior to June 30, 2021, utilized all of the proceeds for payroll and other qualified expenses and 2) the Organization believes it will continue to comply with other terms and conditions necessary for forgiveness.

The Organization concluded that the PPP Loan should be accounted for as a government grant. Under the provisions of ASC 958-605, the PPP Loan represents, in substance, a grant that is expected to be forgiven (a conditional contribution). The conditional contribution is recognized as grant income at a point in time once the conditions of release have been met or explicitly waived; or over a period of time as it incurs qualifying PPP expenses. As discussed above, the Organization believes that it is probable that it met the terms of forgiveness prior to June 30, 2021. Accordingly, the Organization recognized PPP grant income for the full amount of the PPP Loan in the accompanying statement of activities, and no liability for the PPP Loan is reflected in the accompanying statement of financial position.

The Organization plans to submit the PPP Loan forgiveness application in the near term. Although the Organization believes it is probable that the PPP Loan will be forgiven, the Organization's application must be evaluated by the lender and SBA before forgiveness is formally granted. Therefore, there is no guarantee that any portion of the PPP Loan proceeds will be forgiven; and the Organization is legally obligated to repay the PPP Loan until such time as legal release is received.

**Princeton Symphony Orchestra, Inc.**  
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Future maturities of the PPP Loan, assuming it is not forgiven, are as follows:

Year ending June 30,	
2022	\$ 19,041
2023	114,916
2024	<u>96,843</u>
Total PPP Loan	<u>\$ 230,800</u>

The Organization has qualified for employee retention credits in the amount of approximately \$417,000. The credit will be claimed against the Organization's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended June 30, 2021, the Organization recorded revenue totaling approximately \$417,000 which is included in contribution revenue in the accompanying statement of activities and changes in net assets. The Organization is in the process of filing their amended form 941 tax returns to claim the credit.

*In-Kind Donations*

In-kind donations are recorded at their estimated fair value determined on the date of contribution. The Organization had in-kind donations of services of \$6,000 and -\$0- at June 30, 2021 and 2020, respectively. The Organization had in-kind donations of auction items of -\$0- and \$3,781 at June 30, 2021 and 2020, 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.

The following summarizes the Organization's performance obligations:

*Ticket Sales, Other Performance Fees and Special Events*

Ticket sales, other performance fees and special events represent the sums actually paid for individual tickets of admission to a production or event of the Organization. Tickets are non-refundable at the time of receipt unless a performance or event 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 year's 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, it asks 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.

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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*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 and is exempt from the state in accordance with state law. The Organization is subject to income tax on unrelated business income which is generated from ad revenue.

The Organization had no unrecognized tax benefits at June 30, 2021 and 2020 and has incurred no interest or penalties related to income taxes for the periods presented in the financial statements. Further, there were no income tax related penalties and interest included in these financial statements.

**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
Other	Salaries

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**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 \$18,121 and \$88,644 for the years ended June 30, 2021 and 2020, respectively.

**New Accounting Pronouncements Issued Not Yet Effective**

*Leases*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 and will be effective if the Organization enters into a long-term lease.

*Gifts In-Kind*

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization’s financial statements other than additional disclosures.

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

As of June 30, 2021 and 2020 financial assets and liquidity resources available within one year for general expenditures were as follows:

	<u>2021</u>	<u>2020</u>
<b>Financial assets</b>		
Cash and cash equivalents, without restriction	\$ 678,074	\$ 474,543
Certificates of deposit	129,236	261,281
Grants receivable	428,216	-
Accounts receivable	<u>2,500</u>	<u>13,791</u>
Total financial assets	1,238,026	749,615
<b>Liquidity resources</b>		
Estimated annual draw from investment funds	<u>452,500</u>	<u>312,000</u>
Total financial assets and liquidity resources	<u>\$ 1,690,526</u>	<u>\$ 1,061,615</u>

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 and board designated funds 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, 2021 and 2020 of approximately \$725,000 and \$573,000, respectively, that could be utilized upon approval of the board of trustees.

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**4. REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

	<u>Receivables</u>		<u>Contract Liabilities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 13,791	\$ 500	\$ 179,620	\$ 272,669
End of year	\$ 2,500	\$ 13,791	\$ 5,900	\$ 179,620

**5. PROMISES TO GIVE**

Promises to give are due as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due in the next year (2021)	\$ 535,114	\$ 963,434
Due in 1-5 years	884,045	877,672
	1,419,159	1,841,106
Less: Discount on promises to give	(57,869)	(18,364)
	<u>\$ 1,361,290</u>	<u>\$ 1,822,742</u>

At June 30, 2021 and 2020, promises to give were discounted using the risk-free rate, which was 1.45% and .065%, 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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Pooled investments	<u>\$ 5,764,078</u>	<u>\$ 8,831,345</u>	<u>\$ 4,441,311</u>	<u>\$ 5,865,062</u>

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.



**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

Investment income related to the pooled investments for the years ended June 30, 2021 and 2020, comprised the following:

	<u>2021</u>	<u>2020</u>
Dividends & interest	\$ 59,154	\$ 69,482
Realized gains	85,738	41,465
Unrealized gains	1,643,516	279,294
Investment fees	<u>(34,168)</u>	<u>(28,658)</u>
	<u>\$ 1,754,240</u>	<u>\$ 361,583</u>

The Organization uses NAV to determine the fair value of certain investments by major category as of June 30, 2021 and 2020:

<u>Category of Investment</u>	<u>Investment Strategy</u>	<u>NAV - 2021</u>	<u>NAV - 2020</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Pooled fund	Long-Term Growth	\$ 8,831,345	\$ 5,865,062	None	None	None

**7. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 29,682	\$ 29,682
Less: Accumulated depreciation	<u>(19,385)</u>	<u>(15,346)</u>
Furniture and fixtures, net	<u>\$ 10,297</u>	<u>\$ 14,336</u>

Depreciation expense amounted to \$4,039 and \$4,153 for the years ended June 30, 2021 and 2020, respectively.

**8. INTANGIBLE ASSETS**

Intangible assets consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cost		
Website	\$ 35,250	\$ 35,250
Trademarks	<u>2,942</u>	<u>2,942</u>
	38,192	38,192
Less: Accumulated amortization		
Website	(14,100)	(7,050)
Trademarks	<u>(883)</u>	<u>(588)</u>
	<u>(14,983)</u>	<u>(7,638)</u>
Intangible assets, net	<u>\$ 23,209</u>	<u>\$ 30,554</u>

Amortization expense amounted to \$7,345 for each of the years ended June 30, 2021 and 2020.

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**9. NET ASSETS**

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

	<u>2021</u>	<u>Restated 2020</u>
Restricted for Projects		
Support for 2020-2021 projects	\$ -	\$ 33,000
Support for 2021-2022 projects	135,100	-
Support for Sustainability	-	3,100
Time restricted		
Annual fund	150,000	150,000
Bravo	188,272	67,073
Endowment Next 10!	1,011,241	1,316,330
Endowment	-	125,000
Innovation fund	69,648	104,663
Subtotal restricted for time and projects	1,554,261	1,799,166
Restricted for PSO Next10! Endowment	2,121,597	777,551
Restricted for PSO Endowment	6,038,961	4,781,945
	<u>\$ 9,714,819</u>	<u>\$ 7,358,662</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>2021</u>	<u>Restated 2020</u>
Purpose restriction accomplished	\$ 103,173	\$ 120,705
Time restrictions expired	20,000	189,660
Endowment appropriation	210,000	180,000
	<u>\$ 333,173</u>	<u>\$ 490,365</u>

**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 U.S. 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 (b) the original value of subsequent gifts to the restricted endowment and (c) earnings on the endowment 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.

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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 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 Organization made a distribution of \$275,000 and \$225,000 for the years ended June 30, 2021 and 2020, respectively.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2021 and 2020:

	<b>June 30, 2021</b>			
	<b>Board</b>			
	<b>Designated</b>	<b>With Donor Restrictions</b>		
	<b>Innovation Funds</b>	<b>PSO Endowment</b>	<b>Next 10! Endowment</b>	<b>Total</b>
Endowment net assets at July 1, 2020	\$ 573,424	\$ 4,781,945	\$ 777,551	\$ 6,132,920
Contributions	76,824	175,000	1,018,761	1,270,585
Net appreciation (realized and unrealized)	139,956	1,292,016	325,285	1,757,257
Appropriation of endowment net assets for expenditure	-	(210,000)	-	(210,000)
Withdrawal from board-designated endowment	(65,000)	-	-	(65,000)
Endowment net assets at June 30, 2021	<u>\$ 725,204</u>	<u>\$ 6,038,961</u>	<u>\$ 2,121,597</u>	<u>\$ 8,885,762</u>
<b>Investment by Type</b>				
True Endowment	\$ -	\$ 4,075,984	\$ 1,783,454	\$ 5,859,438
Accumulated earnings	-	1,962,977	338,143	2,301,120
Board designated	725,204	-	-	725,204
Total	<u>\$ 725,204</u>	<u>\$ 6,038,961</u>	<u>\$ 2,121,597</u>	<u>\$ 8,885,762</u>
	<b>June 30, 2020 (Restated)</b>			
	<b>Board</b>			
	<b>Designated</b>	<b>With Donor Restrictions</b>		
	<b>Innovation Funds</b>	<b>PSO Endowment</b>	<b>Next 10! Endowment</b>	<b>Total</b>
Endowment net assets at July 1, 2019	\$ 381,163	\$ 4,461,661	\$ 389,437	\$ 5,232,261
Contributions	211,802	185,000	375,256	772,058
Net appreciation (realized and unrealized)	25,459	315,284	12,858	353,601
Appropriation of endowment net assets for expenditure	-	(180,000)	-	(180,000)
Withdrawal from board-designated endowment	(45,000)	-	-	(45,000)
Endowment net assets at June 30, 2020	<u>\$ 573,424</u>	<u>\$ 4,781,945</u>	<u>\$ 777,551</u>	<u>\$ 6,132,920</u>
<b>Investment by Type</b>				
True Endowment	\$ -	\$ 3,900,984	\$ 764,693	\$ 4,665,677
Accumulated earnings	-	880,961	12,858	893,819
Board designated	573,424	-	-	573,424
Total	<u>\$ 573,424</u>	<u>\$ 4,781,945</u>	<u>\$ 777,551</u>	<u>\$ 6,132,920</u>

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**Board Designated Net Assets**

*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. Subsequent to the expiration, the lease is on a month-to-month basis. Rental expense from the office space lease amounted to \$26,160 for each of the years ending June 30, 2021 and 2020.

*Employment Contracts*

The Organization has employment agreements with two employees that expire in 2022 and 2024. Future annual payments due under these agreements are as follows for the years ending June 30:

2022	\$ 275,000
2023	167,000
2024	<u>175,000</u>
	<u>\$ 617,000</u>

**12. RELATED PARTY TRANSACTIONS**

For the years ending June 30, 2021 and 2020, contributions from Board of Trustees amounted to approximately \$179,000 and \$251,000, 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, 2021, the Organization had 2 donors that comprised 86% of outstanding receivables. At June 30, 2020, the Organization had 1 donor which comprised 76% of receivables.

*Revenue Concentrations*

At June 30, 2021, the Organization had 2 donors that comprised approximately 47% of total contribution revenue. At June 30, 2020, the Organization had 1 donor that comprised approximately 12% 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, 2021, the Organization had a total of approximately 180 employees. Approximately 95% of the Organization's employees are represented by a union. The Organization is in negotiations for a new contract for which the Organization expects will be retrospectively effective on July 1, 2021.

**Princeton Symphony Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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*Risks Related to Contagious Disease*

The Organization was significantly impacted by COVID-19 as it was unable to hold in person live performances for a portion of fiscal year 2020 and 2021. 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.

**14. RESTATEMENT**

The Organization restated its July 1, 2019 net assets to reflect a reclassification of net assets without restrictions to net assets with restrictions in the amount of \$745,677 to reflect accumulated earnings in the endowment as with restrictions. This change had no effect on the total changes in net assets at July 1, 2019. For the year ended June 30, 2020, the Organization increased net investment return with restrictions and decreased net investment return with no restrictions by \$328,142. The Organization also increased the release from restriction by \$180,000 for the year ended June 30, 2020. The net effect was an increase in net assets with restrictions and decrease of net assets with no restrictions of \$148,142.

**15. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of November 12, 2021, 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, except for the following:

In June 2021, the Organization announced its intent to merge with the Princeton Festival and the merger was effective July 31, 2021. The Princeton Festival will be consolidated for the year ended June 30, 2022.

## **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, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

### 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 financial statements. 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.

*WithumSmith+Brown, PC*

November 12, 2021



**Princeton Symphony Orchestra, Inc.**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended June 30, 2021**

<u>Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Award Period</u>	<u>Award Number</u>	<u>Total Expenditures</u>	<u>Total Expenditures Life of Project</u>
<b>Federal Awards</b>					
US Department of Treasury Passed through the State of New Jersey State Council on Arts CRF Emergency Funds	21.019	20COA-CRF-068	03/01/2020 - 12/31/2020	\$ 78,796	\$ 78,796
Total Federal Awards				<u>\$ 78,796</u>	<u>\$ 78,796</u>
<b>State Financial Assistance</b>					
State of New Jersey Department of State State Council on Arts General operating support	N/A	2102X010084	10/01/2020-06/30/2021	\$ 71,857	\$ 71,857
New Jersey Economic Development Authority Small Business Emergency Assistance Grant	N/A	N/A	N/A	<u>10,000</u>	<u>10,000</u>
Total State Financial Assistance				<u>\$ 81,857</u>	<u>\$ 81,857</u>

**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 Auditor's Report.

**Princeton Symphony Orchestra, Inc.  
Schedule of Findings and Responses  
Year Ended June 30, 2021**

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**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 Auditor’s Report.

**Princeton Symphony Orchestra, Inc.**  
**Schedule of Prior Year's Findings and Responses**  
**Year Ended June 30, 2021**

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No findings or responses in prior year's audit.

See Independent Auditor's Report.