

PITTSBURGH SYMPHONY, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS THEREON**

for the years ended August 31, 2021 and 2020



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Pittsburgh Symphony, Inc.
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Pittsburgh Symphony, Inc. (PSI or Organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pittsburgh Symphony, Inc. as of August 31, 2021 and 2020, and the changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 17 to the financial statements, PSI has adopted a strategic plan to address the liquidity and financial condition of the Organization. Management's plans regarding this matter are also described in Note 17.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
March 29, 2022

PITTSBURGH SYMPHONY, INC.**STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2021 AND 2020 (in thousands)**

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 5,226	\$ 1,126
Accounts and interest receivable, net	29	148
Capital pledges, grants and contributions receivable, net	17,388	20,907
Notes receivable	82	110
Deferred expense and other assets	451	533
Property and equipment, net (Note 9)	15,021	12,665
Assets held in trust by others (Note 6 and 7)	4,831	4,078
Investments, at market (Note 6)	<u>162,617</u>	<u>130,346</u>
TOTAL ASSETS	<u><u>\$ 205,645</u></u>	<u><u>\$ 169,913</u></u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 1,542	\$ 112
Line of credit (Note 13)	3,964	861
Notes payable (Note 13)	1,863	2,550
Accrued expenses	262	350
Advance ticket sales and other	4,364	4,208
Deferred grant revenue (Note 14)	2,000	4,529
Pension benefit liability (Note 10)	<u>15,916</u>	<u>24,952</u>
TOTAL LIABILITIES	<u>29,911</u>	<u>37,562</u>
NET DEFICIT WITHOUT DONOR RESTRICTIONS	(9,140)	(29,848)
NET ASSETS WITH DONOR RESTRICTIONS (Note 8)	<u>184,874</u>	<u>162,199</u>
TOTAL NET ASSETS	<u>175,734</u>	<u>132,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 205,645</u></u>	<u><u>\$ 169,913</u></u>

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

PITTSBURGH SYMPHONY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021 (in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Orchestra performances	\$ 164	-	\$ 164
Non-orchestra performances	-	-	-
Government grants	15,166	-	15,166
Program advertising	-	-	-
Other	132	-	132
	<hr/>	<hr/>	<hr/>
Total Orchestra and Heinz Hall	15,462	-	15,462
INVESTMENT ACTIVITIES REVENUE			
Interest and dividends	-	\$ 566	566
Realized gains	-	3,354	3,354
Unrealized gains	-	33,674	33,674
Endowment draw	8,455	(8,455)	-
	<hr/>	<hr/>	<hr/>
Total Investment Activities	8,455	29,139	37,594
OPERATING EXPENSES			
Orchestra	11,759	-	11,759
Production and Heinz Hall	5,909	-	5,909
General and administrative	3,836	-	3,836
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	21,504	-	21,504
Surplus before contributions	2,413	29,139	31,552
CONTRIBUTIONS			
Annual fund	5,242	2,411	7,653
Other operating gifts and capital projects	148	459	607
Endowment	-	1,116	1,116
Strategic initiatives	55	582	637
Fundraising expense - operating	(1,735)	-	(1,735)
Fundraising expense - endowment	(1)	-	(1)
	<hr/>	<hr/>	<hr/>
Total Net Contributions	3,709	4,568	8,277
NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	11,032	(11,032)	-
Change in net assets before pension adjustment	17,154	22,675	39,829
Other changes in pension plan obligations	3,554	-	3,554
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	20,708	22,675	43,383
BEGINNING NET (DEFICIT) ASSETS	<hr/>	<hr/>	<hr/>
	(29,848)	162,199	132,351
ENDING NET (DEFICIT) ASSETS	<hr/>	<hr/>	<hr/>
	\$ (9,140)	\$ 184,874	\$ 175,734

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

PITTSBURGH SYMPHONY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020 (in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES			
Orchestra performances	\$ 4,728	-	\$ 4,728
Non-orchestra performances	446	-	446
Government grants	4,059	-	4,059
Program advertising	91	-	91
Other	975	-	975
	<hr/>	<hr/>	<hr/>
Total Orchestra and Heinz Hall	10,299	-	10,299
INVESTMENT ACTIVITIES REVENUE			
Interest and dividends	-	\$ 874	874
Realized gains	-	4,982	4,982
Unrealized losses	-	1,041	1,041
Endowment draw	7,834	(7,834)	-
	<hr/>	<hr/>	<hr/>
Total Investment Activities	7,834	(937)	6,897
OPERATING EXPENSES			
Orchestra	16,231	-	16,231
Production and Heinz Hall	9,169	-	9,169
General and administrative	5,767	5	5,772
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	31,167	5	31,172
Deficit before contributions	(13,034)	(942)	(13,976)
CONTRIBUTIONS			
Annual fund	5,470	2,221	7,691
Other operating gifts and capital projects	530	1,781	2,311
Endowment	-	1,808	1,808
Strategic initiatives	5,065	11,475	16,540
Fundraising expense - operating	(2,243)	-	(2,243)
Fundraising expense - endowment	(1)	-	(1)
	<hr/>	<hr/>	<hr/>
Total Net Contributions	8,821	17,285	26,106
NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	4,383	(4,383)	-
Change in net assets before pension adjustment	170	11,960	12,130
Other changes in pension plan obligations	(515)	-	(515)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(345)	11,960	11,615
BEGINNING NET (DEFICIT) ASSETS	<hr/>	<hr/>	<hr/>
	(29,503)	150,239	120,736
ENDING NET (DEFICIT) ASSETS	<hr/>	<hr/>	<hr/>
	<u>\$ (29,848)</u>	<u>\$ 162,199</u>	<u>\$ 132,351</u>

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

PITTSBURGH SYMPHONY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 30, 2021
(In Thousands)

	Program Services				Management and General	Fundraising	Total Expenses
	<u>Orchestra</u>	<u>Production</u>	<u>Marketing</u>	<u>Heinz Hall</u>			
EXPENSES							
Personnel and benefits	\$ 11,758	\$ 682	\$ 990	\$ 1,010	\$ 1,633	\$ 1,059	\$ 17,132
Guest artists	-	422	-	-	-	3	425
Production	-	1,747	-	-	-	85	1,832
Touring	-	-	-	-	-	-	-
Advertising	-	-	209	-	-	-	209
Professional fees	-	79	141	194	255	248	917
Office expenses, equipment, and IT	-	32	38	33	219	128	450
Meetings, travel, and management expense	1	9	2	1	81	39	133
Utilities	-	-	-	184	-	-	184
Depreciation	-	-	-	984	81	-	1,065
Facilities, repairs, and maintenance	-	-	-	388	-	-	388
Interest and bank fees	-	-	11	2	105	21	139
Insurance	-	-	-	141	35	-	176
Other	-	1	-	-	36	153	190
Total Expenses	<u>\$ 11,759</u>	<u>\$ 2,972</u>	<u>\$ 1,391</u>	<u>\$ 2,937</u>	<u>\$ 2,445</u>	<u>\$ 1,736</u>	<u>\$ 23,240</u>

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

PITTSBURGH SYMPHONY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 30, 2020
(In Thousands)

	Program Services				Management and General	Fundraising	Total Expenses
	<u>Orchestra</u>	<u>Production</u>	<u>Marketing</u>	<u>Heinz Hall</u>			
EXPENSES							
Personnel and benefits	\$ 16,229	\$ 881	\$ 1,286	\$ 1,183	\$ 1,961	\$ 1,246	\$ 22,786
Guest artists	-	1,524	-	-	-	116	1,640
Production	-	778	-	4	-	325	1,107
Touring	-	2,275	-	-	-	-	2,275
Advertising	-	-	860	-	-	19	879
Professional fees	-	123	284	-	301	272	980
Office expenses, equipment, and IT	-	39	188	74	182	137	620
Meetings, travel, and management expense	2	18	9	5	102	48	184
Utilities	-	-	-	239	-	-	239
Depreciation	-	-	-	1,409	67	-	1,476
Facilities, repairs, and maintenance	-	-	15	445	-	8	468
Interest and bank fees	-	-	78	1	369	25	473
Insurance	-	-	-	166	28	-	194
Other	-	5	-	-	42	48	95
Total Expenses	<u>\$ 16,231</u>	<u>\$ 5,643</u>	<u>\$ 2,720</u>	<u>\$ 3,526</u>	<u>\$ 3,052</u>	<u>\$ 2,244</u>	<u>\$ 33,416</u>

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

PITTSBURGH SYMPHONY, INC.**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020****(in thousands)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 43,383	\$ 11,615
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,065	1,476
Contributions restricted for long-term investment	630	1,471
Realized and unrealized gain on investment activity	(37,028)	(6,023)
Changes in assets and liabilities:		
Receivables	1,289	(6,714)
Deferred expense and other assets	82	201
Accounts payable and accrued expenses	1,342	(279)
Advance ticket sales and other	156	(527)
Deferred grant revenue	(2,529)	4,529
Pension obligation	(9,036)	(1,565)
Net cash (used in) provided by operating activities	<u>(646)</u>	<u>4,184</u>
Cash flows from investing activities:		
Investment in property and equipment	(3,421)	(520)
Proceeds from sale of investments	46,990	58,951
Purchase of investments	(42,986)	(56,142)
Net cash provided by investing activities	<u>583</u>	<u>2,289</u>
Cash flows from financing activities:		
Contributions restricted for endowment	1,747	3,009
Proceeds from line of credit	5,062	961
Payments on line of credit	(1,959)	(7,487)
Payments on notes payable	(687)	(2,113)
Net cash provided by (used in) financing activities	<u>4,163</u>	<u>(5,630)</u>
Net increase in cash and cash equivalents	4,100	843
Cash and cash equivalents at beginning of year	<u>1,126</u>	<u>283</u>
Cash and cash equivalents at end of year	<u>\$ 5,226</u>	<u>\$ 1,126</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 94</u>	<u>\$ 359</u>

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

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

1. Organization:

Pittsburgh Symphony, Inc. (PSI or Organization), a not-for-profit charitable organization located in Pittsburgh, Pennsylvania, was formed in 1895 and incorporated in 1935 for the purpose of promoting and fostering a knowledge and love of music by establishing and maintaining a symphony orchestra, by studying and performing the works of great composers, and by other means to encourage a greater appreciation of music. PSI provides a wide range of musical performances in southwestern Pennsylvania and occasional domestic and foreign musical tours.

2. Summary of Significant Accounting Policies:

Basis of Presentation:

The accounting and reporting policies of PSI conform to generally accepted accounting principles in the United States of America. The following is a description of significant accounting policies and practices consistently employed by PSI:

For accounting and reporting purposes, PSI classifies resources into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories. A description of net asset categories is as follows:

Net (Deficit) Assets Without Donor Restrictions: Net assets not subject to donor-imposed restrictions or stipulations as to use or purpose.

Net Assets With Donor Restrictions: Net assets subject to donor-imposed restrictions or stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, requiring that the principal is invested in perpetuity and the income is used only to support PSI's operations.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

2. Summary of Significant Accounting Policies, continued:

Surplus (Deficit) Before Contributions:

The statements of activities and changes in net assets include deficit before contributions as a performance indicator. PSI transactions deemed by management to be ongoing, major or central to PSI's services are reported as operating revenue. Investment income and net appreciation or depreciation in fair value from investments are reported as investment activities revenue.

Donor-Imposed Restrictions:

All contributions are considered to be available for operational use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are included as changes in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Certain restricted funds were received and expended during the same year. These funds are classified in the statements of activities and changes in net assets without donor restrictions.

Capital Pledges, Grants and Contributions Receivable:

Unconditional promises to give cash and other assets to PSI are reported at their estimated fair value at the date the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions such as certain commitments made by local, state and federal governments that are conditioned upon PSI incurring qualifying costs are recognized as those costs are incurred within government grants within operating revenues on the statement of activities and changes in net assets. Decisions to charge off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that PSI's estimate of the allowance for doubtful accounts will change. The total allowance for doubtful accounts was approximately \$100 as of August 31, 2021 and 2020. PSI's policy is to write off uncollectible pledges. Amounts written off for 2021 and 2020 were \$156 and \$58, respectively.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

2. Summary of Significant Accounting Policies, continued:

During a prior year, PSI received a \$12 million pledge from a director. At the discretion of the Executive Committee of the Board, a portion of up to \$500,000 annually over the 12 years of the pledge can be used for operations. As such, \$6 million of the pledge had been restricted for future periods with the remaining \$6 million restricted in perpetuity. Contributions receivable from this director represented 30% and 33% of total receivables at August 31, 2021 and 2020, respectively. Additionally, PSI received significant contributions from three foundations during the year ended August 31, 2020. The balance remaining outstanding on these three contributions represented approximately 30% and 44% of total receivables at August 31, 2021 and 2020, respectively. Contributions from two organizations represented 46% of total net contributions for the year ended August 31, 2020. There were no such concentrations in total net contributions for the year ended August 31, 2021.

During a prior year, PSI received a conditional grant from a foundation of \$4.5 million, part contingent on both fundraising challenges and meeting agreed upon financial benchmarks. PSI recognized \$1.25 million as operating support in each of the years ended August 31, 2019 and 2018, upon meeting fundraising challenges related to attracting new donors and increased donations from existing donors. One million dollars was recognized as operating support in the year ended August 31, 2020, upon meeting the agreed-upon financial benchmarks. Another \$1 million is conditional upon meeting agreed-upon financial benchmarks during the year ending August 31, 2022.

Investments and Investment Activities:

Investments are carried at market value (as determined by quoted market prices), which approximates fair value. Limited partnerships, which may not be readily marketable, are carried at net asset value (NAV) as provided by the investment partnerships. NAV is assessed by PSI to approximate fair value. Accordingly, the change in net unrealized appreciation or depreciation for the year is included in the statements of activities and changes in net assets. Investment income (including realized gains and losses on investments and interest and dividends) is included in net assets without donor restrictions unless the income is restricted by donor or law, as is substantially all income. (See also Note 5.) Investment income is reported net of internal and external investment management expenses.

Investment securities are exposed to various risks caused by changes in interest rates, general market volatility and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statements of financial position and activities and changes in net assets.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

2. Summary of Significant Accounting Policies, continued:

Endowments:

PSI has implemented provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic Presentation of Financial Statements for Not-for-Profit Entities as they relate to the presentation of endowment funds. A portion of PSI's net assets are donor-restricted endowment funds and are governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), a total return policy that allows a not-for-profit to choose to treat a percentage of the average market value of the endowment's investments as income each year. The disclosure provisions are included in Note 5 - Endowment.

Cash and Cash Equivalents:

Cash and cash equivalents include money market funds and investments in highly liquid and marketable debt instruments with an original or expected maturity of three months or less. PSI routinely invests its surplus operating funds in money market mutual funds managed by a local financial institution. The carrying amount reported in the statements of financial position approximates fair value. PSI maintains, at various financial institutions, cash that may exceed federally insured amounts at times.

Property and Equipment:

PSI includes gifts of land, buildings and equipment in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Donated assets are recorded at fair market value at the date of gift.

Equipment represents furniture, fixtures and musical instruments and is recorded at lower of cost or fair value. Expenditures for additions and improvements provided from current operations are capitalized in the period incurred.

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets, currently ranging from five to 50 years. Expenditures for maintenance and repairs are expensed as incurred. When assets are disposed of, cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations for the period.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

2. Summary of Significant Accounting Policies, continued:

In accordance with provisions of the Codification topic Property, Plant and Equipment, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value, as defined, of the assets. No impairment was recorded for fiscal years ended August 31, 2021 and 2020.

Pension Plan:

PSI follows the recognition and disclosure provisions of Codification topic 715: Compensation - Retirement Benefits, which requires plan sponsors to recognize the funded status of defined benefit pension and other postretirement obligations as a net asset or liability and to recognize changes in that funded status in the year in which those changes occur, through a change in net assets without donor restrictions, apart from expenses, to the extent those changes are not included in net periodic benefit cost. PSI's policy is to fund, at a minimum, amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Concentration Risk:

The PSI's workforce is substantially, on a headcount basis, union-represented and subject to collective bargaining agreements. The individual unions may limit the Organization's flexibility in dealing with its workforce. Any work stoppage or instability within the workforce could have a negative impact on PSI, including loss of revenues and strained relationships with patrons and donors, which could adversely affect PSI's operations. The collective bargaining agreement for which the musicians of the orchestra participate in is set to expire in September 2023.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

2. Summary of Significant Accounting Policies, continued:

Revenue Recognition:

Effective September 1, 2020, PSI adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). PSI adopted Topic 606 using the modified retrospective method and determined there was no cumulative effect to net assets as of September 1, 2020 required as a result of adopting the standard. PSI's revenues are derived from the sale of tickets to attend orchestra performances, either through subscription or single ticket sales. Revenue is recognized when PSI satisfies its performance obligation under the contract by transferring the promised service (performance) to the customer. Ticket sales are recognized at the point in time in which the related performance occurs. Revenue is measured as the amount of consideration PSI expects to receive in exchange for transferring the services to the customer. Payment terms are either payment in advance or immediate payment.

Based on the nature of PSI's contracts, there were no contract assets recorded at August 31, 2021 or 2020. Contract liabilities consist of payments received before ticket sales are earned. Contract liabilities were approximately \$3,660 and \$3,876 and are included in advance ticket sales and other in the statements of financial position at August 31, 2021 and 2020, respectively.

Functional Expenses:

Costs of providing various programs have been summarized on a functional basis. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one function and require allocation. Compensation is allocated on the basis of time and effort. All other expenses are allocated based on program or actual usage. These expenses are allocated on a reasonable basis that is consistently applied.

Recently Adopted Accounting Pronouncement:

In August 2018, the FASB issued ASU No. 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans (ASU 2018-14), which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2021. Early adoption is permitted. PSI early-adopted the provisions of ASU 2018-14 on its financial statements in the current year with no significant impact.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

3. Liquidity and Availability:

PSI strives to maintain the minimum cash on hand needed to meet immediate obligations in order to maximize investment potential and minimize interest expense. PSI monitors and evaluates cash needs on a weekly basis, and draws amounts from the endowment as necessary in accordance with policy. Additionally, PSI maintains a line of credit to help meet cash needs. As of August 31, 2021 and 2020, respectively, there was \$1,274 and \$937 of borrowing capacity remaining on this agreement. PSI receives contributions from donors each year and generates earned revenue, both of which are available to meet annual cash needs for general expenditures.

PSI has endowment assets of over \$162 and \$130 million at August 31, 2021 and 2020, respectively, of which 7.0% and 6.6%, respectively, was drawn to support general operations. As of the date of issue of these financial statements, the PSI Board has elected to draw a smaller percentage than the legal state maximum (7%) for the year ending August 31, 2022.

The table below reflects PSI's financial assets as of August 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the date of the financial statements because of donor restrictions, legal restrictions or board designations. Amounts not available include the entirety of the endowment less the expected annual draw for fiscal year 2022, contributions receivable for fiscal years after 2022, contributions receivable within one year that are restricted for purposes other than general operations and notes receivable whose proceeds are restricted to instrument loans. In the event the need arises to utilize the endowment draw up to the legal maximum of 7%, the difference between the maximum and the anticipated 6.5% draw from the endowment for fiscal year 2022 could be withdrawn with a Board resolution, as the major donor has given permission due to the COVID-19 pandemic.

Continued

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020
(All Amounts in Thousands)

3. Liquidity and Availability, continued:

The table below presents financial assets available for general expenditures within one year at August 31:

	<u>2021</u>	<u>2020</u>
Total Financial Assets:		
Cash and cash equivalents	\$ 5,226	\$ 1,126
Accounts and interest receivable, net	29	148
Capital pledges, grants and contributions receivable, net	17,388	20,907
Notes receivable	82	110
Assets held in trust by others	4,831	4,078
Investments, at market	162,617	130,346
Total financial assets	<u>190,173</u>	<u>156,715</u>
Assets not available for general operations:		
Assets held in trust by others	4,831	4,078
Investments, at market	162,617	130,346
Pledges, grants and contributions subject to donor restriction	12,454	17,497
Notes receivable designated for instrument loans	82	110
Total assets not available for general operations	<u>179,984</u>	<u>152,031</u>
Total financial assets available for general operations	10,189	4,684
Liquidity resources available for general operations:		
Excess capacity on line of credit	1,274	937
Estimated endowment draw for the years ending August 31, 2022 and 2021	7,927	7,855
Total liquidity resources	<u>9,201</u>	<u>8,792</u>
Financial assets and liquidity resources available to meet general expenditures	<u>\$ 19,390</u>	<u>\$ 13,476</u>

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PITTSBURGH SYMPHONY, INC.
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4. Capital Pledges, Grants and Contributions Receivable, net:

PSI has received unconditional promises to give that are to be received as follows at August 31:

	<u>2021</u>	<u>2020</u>
Operating contributions	\$ 3,399	\$ 1,230
Contributions restricted to future periods and for specific purposes	10,387	15,405
Contributions receivable to be maintained in perpetuity	<u>3,809</u>	<u>4,388</u>
	17,595	21,023
Less: Unamortized discount (at 0.77% in 2021 and 0.28% in 2020)	<u>207</u>	<u>116</u>
Net unconditional promises to give	<u>\$ 17,388</u>	<u>\$ 20,907</u>
Contributions receivable due in:		
Less than one year	\$ 10,239	\$ 9,513
One to five years	6,123	10,277
More than five years	<u>1,233</u>	<u>1,233</u>
Total	<u>\$ 17,595</u>	<u>\$ 21,023</u>

5. Endowment:

The endowment consists of various investment funds established primarily for programming and operating needs of PSI and includes donor-restricted endowment funds.

The Board has elected to be governed by Act 141, which permits a total return policy that allows a not-for-profit to choose to treat a percentage of the average market value of the endowment's investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount, and, to that end, PSI has adopted a written endowment fund investment policy. On an annual basis, the Board must elect a spending rate of between 2% and 7%. This percentage is applied to the 12-quarter rolling average market value of the investments calculated at March 31 of the previous fiscal year.

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PITTSBURGH SYMPHONY, INC.
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5. Endowment, continued:

PSI considers the following factors in making a determination to set a spending rate:

1. Restrictive covenants contained in endowment documents limiting spending rates;
2. Preserving the spending power of the assets; and
3. Operational considerations.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). PSI has interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under law. PSI has no underwater endowment funds at August 31, 2021 or 2020.

The following represents the change in endowment funds by net asset type for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 133,095	\$ 132,990
Investment return:		
Investment gain	974	1,172
Net appreciation	36,135	5,650
Contributions	1,116	1,808
Appropriation of endowment assets for expenditures	(8,455)	(7,834)
Release from restriction	(313)	(321)
General and administrative expense	(445)	(348)
Payment of endowment taxes	(1)	(5)
Other	1	(17)
Endowment net assets, end of year	<u>\$ 162,107</u>	<u>\$ 133,095</u>

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PITTSBURGH SYMPHONY, INC.
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5. Endowment, continued:

PSI has adopted investment and spending policies for endowment assets that are designed to provide a stream of funding for programs and initiatives supported by the endowment. Policies are also intended to protect the integrity of assets and achieve the optimal return possible within specified risk parameters. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, endowment assets are invested in a manner intended to produce results that exceed the price and yield results of market indices, which are weighted to equal the allocation target for each broad asset category.

To satisfy its long-term rate-of-return objectives, PSI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). PSI targets a diversified asset allocation, which features a material commitment to equities and alternative investments and allows for broad diversification both within and outside the equity markets to permit the endowment to attain its overall return objectives while taking current market conditions into account.

In 2021 and 2020, the spendable return totaled 7.0% and 6.6% or \$8,455 and \$7,834, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with PSI's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

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PITTSBURGH SYMPHONY, INC.
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6. Fair Value Measurement:

PSI applies provisions of the Codification topic Fair Value Measurement, which defines fair value as the price that would be received to sell an asset or liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Fair Value Measurement requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Fair value measurement fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

PSI's financial instruments consist primarily of cash and cash equivalents, accounts and interest receivable, notes receivable, capital pledges, grants and contributions receivable, investments, assets held in trust by others, accounts payable and accrued expenses and line of credit and notes payable.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2021 and 2020.

The carrying amount of cash and cash equivalents, accounts and interest receivable, notes receivable and accounts payable and accrued expenses approximates their fair value due to the short-term nature of such instruments.

The carrying value of PSI's line of credit and notes payable approximates fair value at August 31, 2021 and 2020, since the interest rates are either market-based and are generally adjusted periodically or represent rates that PSI would be able to obtain in the current market.

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PITTSBURGH SYMPHONY, INC.
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6. Fair Value Measurement, continued:

The methods for valuing PSI's investments, by significant category, are as follows:

Temporary Investments - Consist primarily of cash and cash equivalents.

Common Stocks - Valued at the daily closing price reported on the active market on which the individual securities are traded.

Domestic Equity and International Equity Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by PSI are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. Mutual funds held by PSI are deemed to be actively traded.

Fixed-Income Instruments and Real Estate and Other Limited Partnerships - The fair value of investments measured at NAV includes investments in limited partnerships. As a practical expedient, the PSI relies on the NAV of certain investments in limited partnerships as their fair value. The NAVs that have been provided by the investment manager are derived from the fair values of the underlying investments as of the reporting date.

The amounts of PSI's assets carried at fair value according to the fair value hierarchy at August 31 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Investments:				
Temporary investments	\$ 12,958	-	-	\$ 12,958
Common stocks	48,049	-	-	48,049
Domestic equity mutual funds	8,164	-	-	8,164
International equity mutual funds	25,812	-	-	25,812
Assets held in trust by others	-	-	\$ 4,831	4,831
Endowment assets in hierarchy	\$ 94,983	-	\$ 4,831	99,814
Fixed-income instruments (a)				14,256
Real estate limited partnerships (a)				8,172
Other limited partnerships (a)				45,206
Total fair value of assets				\$ 167,448

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PITTSBURGH SYMPHONY, INC.
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6. Fair Value Measurement, continued:

	2020			Total
	Level 1	Level 2	Level 3	
ASSETS:				
Investments:				
Temporary investments	\$ 16,784	-	-	\$ 16,784
Common stocks	23,953	-	-	23,953
Domestic equity mutual funds	6,178	-	-	6,178
International equity mutual funds	18,207	-	-	18,207
Assets held in trust by others	-	-	\$ 4,078	4,078
Endowment assets in hierarchy	\$ 65,122	-	\$ 4,078	69,200
Fixed-income instruments (a)				9,418
Real estate limited partnerships (a)				7,609
Other limited partnerships (a)				48,197
Total fair value of assets				\$ 134,424

(a) In accordance with Codification Subtopic 820-10, certain investments measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. Fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

The following redemption table clarifies the nature and risk of PSI's investments and liquidity for investments, including alternative investments, measured using NAV.

Category	Fair Value		Unfunded Commitments At 8/31/21	Redemption Frequency	Redemption Notice Period
	8/31/21	8/31/20			
Real estate limited partnerships (b)	\$ 8,172	\$ 7,609	\$ 1,006	None permitted	N/A
Other limited partnerships (c)	45,206	48,197	5,233	None permitted	N/A
Funds held in trust by others (d)	4,831	4,078	-	None permitted	N/A
Fixed-income instruments (e)	14,256	9,418	-	Monthly	40-60 days
	\$ 72,465	\$ 69,302	\$ 6,239		

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PITTSBURGH SYMPHONY, INC.
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6. Fair Value Measurement, continued:

Investment strategies employed by the funds listed above are as follows:

- (b) The investment objective is to focus on both opportunistic and high-quality assets while working with local operating partners to source deals and correct asset underperformance.
- (c) This fund category contains distressed debt, hedge, private equity, venture capital, international equity and natural resource funds from multiple investment companies.
- (d) These funds represent two actively managed portfolios trusts, managed in perpetuity, containing readily tradable securities through public exchanges.
- (e) This fund category objective is to generate superior risk-adjusted returns by investing in short-term corporate debt securities, including convertible and nonconvertible bonds issued by U.S. and non-U.S. companies.

PSI does significant due diligence work before investing in any asset class and actively monitors investment performance of all its assets on a quarterly basis.

7. Assets Held in Trust by Others:

The McKelvy and the Pickens Trusts are perpetual trusts created by donors under individual trust agreements, which are managed by a national bank's trust department. PSI records its proportionate share of the assets on its statements of financial position at fair market value. The fair market value of assets held in trust by others was \$4,831 and \$4,078 at August 31, 2021 and 2020, respectively. The trustees of both the McKelvy and Pickens Trusts have elected to adopt a 4.0% payout rate under Act 141 for both 2021 and 2020. PSI will receive a 25% share from the McKelvy Trust and a 33% share from the Pickens Trust. The remainder of the payout is distributed to other named beneficiaries.

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PITTSBURGH SYMPHONY, INC.
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8. Net Assets With Donor Restrictions:

Net assets with donor restrictions at August 31 are composed of the following:

	2021	2020
Subject to expenditure for specified purpose:		
Programming	\$ 1,028	\$ 1,058
Capital	4,576	4,454
Touring	314	-
Pension	5,398	11,375
	11,316	16,887
Subject to the passage of time:		
Promises to give that are unavailable for expenditure until due	6,181	7,700
Maintained in perpetuity:		
General Endowment	147,319	119,456
The Pittsburgh Symphony 1963 Endowment	11,179	9,399
Major Campaign Pledges	3,711	4,342
Bessie Morrison McKelvy Trust	3,940	3,318
Pauline Beemer Pickens Trust	891	760
Morrison Fine String Instrument Loan Fund	254	254
Instrument Loan Fund	83	83
	167,377	137,612
	\$ 184,874	\$ 162,199

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PITTSBURGH SYMPHONY, INC.
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8. Net Assets With Donor Restrictions, continued:

Net assets were released from donor restrictions during the years ended August 31 by incurring expenses satisfying the restricted purposes, passage of time or by occurrence of other events specified by donors and grantors, as follows:

	2021	2020
Purpose of restrictions accomplished:		
Future periods	\$ 9,986	\$ 3,002
Programming	530	601
Capital	338	-
Hillman touring	-	281
Endowment	178	499
	\$ 11,032	\$ 4,383

Assets of the General Endowment include various restricted funds to be maintained in perpetuity such as the Repair and Maintenance Fund, the Endowed Chairs, and the Education and Outreach Fund.

The Pittsburgh Symphony Endowment established in 1963 (1963) is a perpetual trust created by donors under an individual trust agreement. The 1963 endowment assets are managed by PSI together with other restricted and operating reserve assets. PSI receives only interest and dividends from the 1963 endowment.

The Morrison Fine String Instrument Loan Fund and the Instrument Loan Fund represent contributions received to provide interest-free and low-interest loans to the musicians of PSI to assist them in purchasing musical instruments. Loans outstanding are included in notes receivable on the accompanying statements of financial position.

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PITTSBURGH SYMPHONY, INC.
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9. Property and Equipment:

Property and equipment, stated at cost, consisted of the following major classes of assets at August 31:

	<u>2021</u>	<u>2020</u>
Office equipment and furniture and fixtures	\$ 2,555	\$ 2,018
Musical and concert equipment	1,146	1,146
Original site and building	907	907
Site improvements	<u>43,368</u>	<u>43,302</u>
	47,976	47,373
Less - Accumulated depreciation	<u>36,182</u>	<u>35,117</u>
	11,794	12,256
Construction-in-process	<u>3,227</u>	<u>409</u>
	<u>\$ 15,021</u>	<u>\$ 12,665</u>

The construction-in-process at August 31, 2021 and 2020 relates to a multi-year project for renovations to Heinz Hall.

10. Pension Plans:

PSI has two noncontributory defined benefit pension plans, both of which were frozen as of August 31, 2019. Accordingly, the plans were not available to new entrants, and no new benefit accruals were earned after August 31, 2019. The Musicians' Defined Benefit Pension Plan covered musicians hired on or before March 1, 2011, who had more than five years of service as of September 5, 2011. The Staff Defined Benefit Pension Plan covered substantially all staff hired before August 31, 2019. The plans were replaced by two defined contribution plans. Terms of the musician's contract stipulate that all musicians are enrolled in a defined contribution plan at 8% of the musicians' base scale wage. PSI makes supplemental retirement contributions to those musicians most affected by the pension plan freeze. The staff defined contribution plan provides staff with a dollar-for-dollar employer match for employee contributions to the plan, up to 4% of salary. PSI makes supplemental retirement contributions to those staff most affected by the pension plan freeze.

Participant benefits from the defined benefit pension plans were earned based on salary levels and years of service. Though the plans are frozen and no new benefits are earned, the plans continue to be affected by changes in interest rates, updates to actuarial mortality tables and market returns. Contributions to the pension plans are made to pension trusts administered by PSI. PSI's funding policy for the plans is to make contributions determined by management at or between the maximum and minimum amounts as required by applicable regulations.

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PITTSBURGH SYMPHONY, INC.
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10. Pension Plans, continued:

The Musicians' and Staff Defined Benefit Pension Plans contain 59 and 50 active participants, respectively, as of September 1, 2021.

The following sets forth the plans' funded status at August 31:

	Musician Plan		Staff Plan		Total	
	2021	2020	2021	2020	2021	2020
Accumulated benefit obligation	\$ 44,357	\$ 45,157	\$ 18,178	\$ 17,912	\$ 62,535	\$ 63,069
Plan assets at fair value, primarily invested in equity securities	\$ 32,583	\$ 27,054	\$ 14,036	\$ 11,063	\$ 46,619	\$ 38,117
Projected benefit obligation	(44,357)	(45,157)	(18,178)	(17,912)	(62,535)	(63,069)
Total funded position	\$ (11,774)	\$ (18,103)	\$ (4,142)	\$ (6,849)	\$ (15,916)	\$ (24,952)

Included in net deficit without donor restrictions at August 31 are:

	Musician Plan		Staff Plan		Total	
	2021	2020	2021	2020	2021	2020
Unrecognized actuarial loss	\$ 20,912	\$ 24,198	\$ 5,765	\$ 6,525	\$ 26,677	\$ 30,723

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10. Pension Plans, continued:

The components of the net periodic benefit cost for the years ended August 31 are as follows:

	Musician Plan		Staff Plan		Total	
	2021	2020	2021	2020	2021	2020
Interest cost	\$ 927	\$ 1,189	\$ 417	\$ 492	\$ 1,344	\$ 1,681
Expected return on plan assets	(1,753)	(1,621)	(715)	(660)	(2,468)	(2,281)
Recognized loss due to settlements	492	-	-	-	492	-
Recognized actuarial loss	828	827	150	144	978	971
Total net periodic benefit cost	\$ 494	\$ 395	\$ (148)	\$ (24)	\$ 346	\$ 371

The aggregated amount expected to be recognized in net periodic benefit cost during the period ending August 31, 2022 is (\$701).

Weighted average assumptions used to determine net periodic benefit cost for the plan as of August 31 were as follows:

	Musician Plan		Staff Plan	
	2021	2020	2021	2020
Discount rate	2.76 %	2.81 %	2.93 %	3.03 %
Expected return on plan assets	6.25	6.50	6.25	6.50

The long-term expected annual rate-of-return objective is based on a target asset allocation of 60% equity and 40% fixed income.

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PITTSBURGH SYMPHONY, INC.
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10. Pension Plans, continued:

The primary investment objective for the plans' assets is preservation of capital. The second major objective is capital appreciation to ensure that inflation does not erode the real purchasing power of the assets in the plans.

Plans asset allocations at August 31, by asset category, are as follows:

	<u>Musician Plan</u>		<u>Staff Plan</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Asset Category:</u>				
Registered investment companies	79 %	80 %	77 %	83 %
Corporate bonds	7	13	4	12
U.S. government and agency securities	6	3	5	3
Cash and other	<u>8</u>	<u>4</u>	<u>14</u>	<u>2</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The following section describes the valuation methodologies used to measure the fair value of pension plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified.

The fair value of investments categorized as Level 1 includes investments in cash and cash equivalents and registered investment companies, the fair values of which are based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the plans.

The fair value of investments categorized as Level 2 includes investments in corporate bonds and U.S. government and agency securities. The fair values are modeled by external pricing vendors using estimated bid prices at which a dealer would pay for a security or, in limited cases, an internal trade price, used only when a more reliable price cannot be obtained.

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PITTSBURGH SYMPHONY, INC.
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10. Pension Plans, continued:

The fair value of the financial assets comprising the plans' investments excluding accrued income, in the amount of \$19 and \$38, at August 31, respectively, is shown in the following table:

		2021			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	4,560	-	-	\$ 4,560
U.S. government and agency securities		-	\$ 2,565	-	2,565
Corporate debt instruments		-	2,925	-	2,925
Registered investment Companies		36,550	-	-	36,550
		\$ 41,110	\$ 5,490	-	\$ 46,600
		2020			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	1,223	-	-	\$ 1,223
U.S. government and agency securities		-	\$ 1,017	-	1,017
Corporate debt instruments		-	4,943	-	4,943
Registered investment Companies		30,896	-	-	30,896
		\$ 32,119	\$ 5,960	-	\$ 38,079

PSI made contributions to the plans and the plans paid benefits as follows during the years ended August 31:

		Musician Plan		Staff Plan		Total	
		2021	2020	2021	2020	2021	2020
Employer contributions	\$	3,538	\$ 1,901	\$ 1,799	\$ 550	\$ 5,337	\$ 2,451
Benefits paid		1,477	2,385	587	549	2,064	2,934

PSI expects to make contributions to the Musician Plan and Staff Plan of \$1,380 and \$593, respectively, during the year ending August 31, 2022.

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10. Pension Plans, continued:

The following pension benefit payments are expected to be paid:

<u>Fiscal Year</u>	<u>Musician Plan</u>	<u>Staff Plan</u>	<u>Total</u>
2021-22	\$ 1,987	\$ 654	\$ 2,641
2022-23	2,041	670	2,711
2023-24	2,146	691	2,837
2024-25	2,348	716	3,064
2025-26	2,269	749	3,018
2027-2031	11,760	3,990	15,750

The following changes in plan assets and benefit obligations were recognized in net deficit without donor restrictions for the year ended August 31, 2021:

	<u>Musician Plan</u>	<u>Staff Plan</u>	<u>Total</u>
Net actuarial gain	\$ (1,966)	\$ (610)	\$ (2,576)
Recognized actuarial gain	<u>(1,320)</u>	<u>(150)</u>	<u>(1,470)</u>
Total recognized in net deficit without donor restrictions for 2021	<u>\$ (3,286)</u>	<u>\$ (760)</u>	<u>\$ (4,046)</u>

The Musicians' Pension Plan experienced net actuarial gain of approximately \$1,966, which was generated due to investment return being approximately \$2,759 higher than expected, offset by a loss of approximately \$793 due to plan experience and a decrease in the discount rate. The Staff Pension Plan experienced net actuarial gain of approximately \$610, which was generated due to investment return being approximately \$1,046 higher than expected, offset by a loss of approximately \$436 due to plan experience and a decrease in the discount rate.

11. Federal Taxes on Income:

No provision for federal taxes on income has been included in the financial statements, since PSI qualifies as a tax-exempt organization, meeting the requirements of Section 501(c)(3) of the Internal Revenue Code. PSI has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. PSI's policy is to accrue interest and penalties related to unrecognized tax benefits in general and administrative expenses. The statutory tax years of 2018, 2019 and 2020 remain open to examination.

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PITTSBURGH SYMPHONY, INC.
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12. Related-Party Transactions:

PSI enters into certain transactions with corporations whose officers and/or directors are also directors of PSI. These transactions are for purchases of goods and services, including banking and investment services, at an arm's-length basis, in the ordinary course of business.

13. Notes Payable and Bank Line of Credit:

PSI maintains a \$7,800 line-of-credit agreement with a Pittsburgh-based commercial bank. This credit line bears interest at the greater of 50 basis points below the bank's prime interest rate, or 3%. The outstanding balance on this line of credit for 2021 and 2020 was \$3,964 and \$861, respectively. The line of credit is due on demand. It is collateralized by the value of the annual draw from the endowment and held as security in a separate trust account of the endowment.

PSI entered into a \$3,500, 13-year term loan with a Pittsburgh-based commercial bank in June 2009. Payments were for interest-only the first three years. This loan bears interest at the greater of 50 basis points below the bank's prime lending rate, or 3%, and matures in May 2022. Proceeds from this loan were used to fund contributions to the musician and staff pension plans. The loan is guaranteed by a major contributor to PSI. The outstanding balance of this loan for 2021 and 2020 was \$263 and \$613, respectively.

PSI entered into a \$3,000 term loan with a Pittsburgh-based commercial bank in December 2014. Payments were for interest-only the first two years. This loan bears interest at the greater of 50 basis points below the bank's prime lending rate or 3% and matures in December 2026. Proceeds from this loan were used to fund contributions to the musician pension plan. The loan is guaranteed by a major contributor to PSI. The outstanding balance of this loan for 2021 and 2020 was \$1,600 and \$1,900, respectively.

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13. Notes Payable and Bank Line of Credit, continued:

PSI entered into a \$1,500, two-year term loan with a Pittsburgh-based commercial bank in December 2015. Payments were for interest-only the first two years. This loan bears interest at a rate of 50 basis points below the bank’s prime lending rate. Proceeds from this loan were used to fund capital expenditures pursuant to the Urban Redevelopment Authority Grant Contract No. 300-1438, FC #4100069914. All proceeds from the loan were used to pay construction costs associated with the above grant, and PSI will repay the bank with the grant proceeds immediately upon receipt. In May 2020, the loan was extended to August 1, 2020. During the year ended August 31, 2020, the Urban Redevelopment Authority released the funds to PSI, and the funds repaid the loan balance except for \$37 that remained outstanding as of August 31, 2020. This loan was paid in full in September 2020.

The aggregate annual principal payments due subsequent to August 31, 2021 are as follows:

Fiscal Year	
<u>August 31</u>	<u>Amount</u>
2022	\$ 563
2023	300
2024	300
2025	300
2026	300
Thereafter	<u>100</u>
	<u>\$ 1,863</u>

14. Government Grant Revenue:

On April 16, 2020, PSI entered into a term note with Dollar Bank with a principal amount of approximately \$4,529 pursuant to the Paycheck Protection Program (PPP Term Note I) under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) that was reflected in deferred grant revenue in the accompanying statement of financial position as of August 31, 2020. Under the CARES Act, PSI may apply for forgiveness of the PPP Term Note I, with the amount available to be forgiven equal to the sum of eligible payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by PSI during the 24-week period beginning upon receipt of PPP Term Note I funds. On June 16, 2021, PSI received full forgiveness for PPP Term Note I from the Small Business Administration (SBA) and recognized the amount as government grant revenue on the statement of activities for the year ended August 31, 2021.

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PITTSBURGH SYMPHONY, INC.
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14. Government Grant Revenue, continued:

During the year ended August 31, 2021, PSI entered into another term note with Dollar Bank with a principal amount of \$2,000 pursuant to the PPP under the CARES Act (PPP Term Note II). The PPP Term Note II is evidenced by a promissory note and bears interest at a fixed annual rate of 1.00% with a two-year maturity and is payable in monthly installments beginning the earlier of 10 months or the date which PSI receives notice of partial forgiveness. The PPP Term Note II may be accelerated upon the occurrence of an event of default. The PPP Term Note II is unsecured and guaranteed by the SBA. Under the CARES Act, PSI may apply for forgiveness of the PPP Term Note II, with the amount available to be forgiven equal to the sum of eligible payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by PSI during the 24-week period beginning upon receipt of PPP Term Note II funds. The entire principal amount of PPP Term Note II is included in deferred grant revenue in the accompanying statement of financial position as of August 31, 2021. PSI expects to apply for and be granted forgiveness of this loan in the year ending August 31, 2022.

On July 9, 2021, the PSI was awarded a Shuttered Venue Operators Grant (SVOG) of approximately \$3,653. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, amended by the American Rescue Plan Act, and administered by the SBA's Office of Disaster Assistance. For the year ended August 31, 2021, PSI allocated these funds to cover payroll costs allowable under the SVOG program. The full amount of this SVOG grant was recognized within government grants revenue in the statement of activities during the year ended August 31, 2021. On November 11, 2021, PSI was awarded an additional SVOG of approximately \$2,782. PSI expects to use this award and recognize it within government grants revenue for the year ending August 31, 2022.

The CARES Act was enacted to provide economic and other relief as a result of the COVID-19 pandemic. Among other things, the CARES Act provided an Employee Retention Credit (ERC), which is a refundable payroll tax credit that encouraged businesses to keep employees on payroll during the COVID-19 pandemic. The ERC provided qualifying employers up to \$5,000 of credit for each employee based on certain wages paid after March 12, 2020 and before January 1, 2021. In December 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 increased the credit for each employee to \$7,000 per calendar quarter after December 31, 2020, through June 30, 2021. PSI applied for approximately \$2,757 of ERCs and recorded them within government grants revenue on the statement of activities for the year ended August 31, 2021. Approximately \$1,727 of PSI's ERCs are recorded within capital pledges, grants and contributions receivable, net as of August 31, 2021 and are expected to be fully collected during the year ending August 31, 2022.

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15. Contingencies:

PSI is a party to disputes arising in the normal course of business. Management believes that, at this time, the ultimate resolution of these matters will not have a material impact on the financial position, results of activities or cash flows of PSI.

Laws and regulations governing federal programs are complex and subject to interpretation. PSI believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made to PSI, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from federal programs.

16. Subsequent Events:

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through March 29, 2022, the date that the financial statements were issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the financial statements except for the matter described in the following paragraph.

The effects of the novel coronavirus pandemic continue to materially and adversely affect PSI and its operations. PSI is unable to accurately predict how restrictions related to the pandemic will affect the results of its operations because the severity and duration of the outbreak are still uncertain. While it is premature to accurately predict the ultimate impact of these developments, PSI expects its results for the year ending August 31, 2022 to be impacted.

17. Operating Environment:

As a result of the COVID-19 pandemic, PSI cancelled indoor, in-person concerts from March 13, 2020 through September 10, 2021. While in-person concerts have resumed with rigorous COVID-19 mitigation efforts, it is uncertain when earned revenues will return to pre-pandemic levels. Management and the Board continue to meet frequently to assess and adjust operations as needed. PSI continues to manage cash flow daily. Salary reductions instituted by PSI in 2020 have been rescinded, and all staff has been returned from furlough. The PSI has been buoyed by significant COVID relief provided by the federal and state governments, which played a critical role in the ability of the PSI to maintain headcount and provide innovative streaming performances through the pandemic.

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17. Operating Environment, continued:

While the long-term effects of the pandemic and timeframe of economic recovery are not yet known, PSI is taking steps to ensure the long-term financial health of the organization. The Board has passed a budget for the fiscal year 2022 that assumes earned revenue that is significantly lower than historical averages and relies upon strong annual fund performance. The ability of the PSI to meet its obligations is contingent upon an economic recovery from COVID-19 as well as PSI's ability to continue generating cash flows from operations and contributed support from donors. PSI management and Board are hopeful that audiences returning to Heinz Hall will increase as COVID-19 case numbers decrease locally, but the ultimate success of financial recovery cannot be assured. Artistically, PSI has continued to provide the community with impactful performances through digital concerts, an outdoor residency at Hartwood Acres, and full orchestra performances at Heinz Hall.

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