PITTSBURGH SYMPHONY, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT THEREON

for the years ended August 31, 2019 and 2018

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INDEPENDENT AUDITORS' 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, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years then ended and the statement of functional expenses for the year ended August 31, 2019 (with comparative totals for the year ended August 31, 2018) 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.

Auditors' 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 auditors' 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matters
As discussed in Note 2 to the financial statements, in the year ended August 31, 2019, the Organization has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, PSI has adopted a strategic plan to address the liquidity and financial condition of the Organization. The liquidity and financial condition have declined as a result of downward-trending ticket sales and a significant pension liability. Management's plans regarding these matters are also described in Note 16.

Report on Summarized Comparative Information
We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2019. In our opinion, the summarized comparative information presented herein for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
June 15, 2020

PITTSBURGH SYMPHONY, INC.
STATEMENT OF FINANCIAL POSITION AS OF AUGUST 31, 2019 and 2019 (in thousands)

	2019	2018
ASSETS:		
Cash and cash equivalents	$ 283	$ 420
Accounts and interest receivable, net	100	46
Capital pledges, grants and contributions receivable, net	18,713	16,640
Notes receivable	118	75
Deferred expense and other assets	734	575
Property and equipment, net (Note 9)	13,621	14,856
Assets held in trust by others (Note 6 and 7)	3,834	3,975
Investments, at market (Note 6)	127,376	133,909
TOTAL ASSETS	$ 164,779	$ 170,496
LIABILITIES AND NET ASSETS:		
Accounts payable	$ 395	$ 200
Line of credit (Note 13)	7,387	6,524
Notes payable (Note 13)	4,663	5,313
Accrued expenses	346	328
Advance ticket sales and other	4,735	5,336
Pension benefit liability (Note 10)	26,517	17,061
TOTAL LIABILITIES	44,043	34,762
NET DEFICIT WITHOUT DONOR RESTRICTIONS	(29,503)	(17,920)
NET ASSETS WITH DONOR RESTRICTIONS (Note 8)	150,239	153,654
TOTAL NET ASSETS	120,736	135,734
TOTAL LIABILITIES AND NET ASSETS	$ 164,779	$ 170,496

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, 2019 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Orchestra performances	$ 7,114	-	$ 7,114
Non-orchestra performances	1,195	-	1,195
Government grants	4,047	-	4,047
Program advertising	150	-	150
Other	1,693	-	1,693
Total Orchestra and Heinz Hall	14,199	-	14,199
INVESTMENT ACTIVITIES REVENUE			
Interest and dividends	-	$ 1,123	1,123
Realized gains	-	4,157	4,157
Unrealized losses	-	(5,081)	(5,081)
Endowment draw	7,689	(7,689)	-
Total Investment Activities	7,689	(7,490)	199
OPERATING EXPENSES			
Orchestra	17,390	-	17,390
Production and Heinz Hall	9,361	-	9,361
General and administrative	6,826	10	6,836
Total Operating Expenses	33,577	10	33,587
Deficit before contributions	(11,689)	(7,500)	(19,189)
CONTRIBUTIONS			
Annual fund	6,109	1,954	8,063
Other operating gifts and capital projects	582	3,004	3,586
Endowment	-	2,919	2,919
Strategic initiatives	2,058	-	2,058
Fundraising expense - operating	(2,527)	-	(2,527)
Fundraising expense - endowment	(42)	-	(42)
Total Net Contributions	6,180	7,877	14,057
NET ASSETS RELEASED FROM RESTRICTIONS	3,792	(3,792)	-
Change in net assets before pension adjustment	(1,717)	(3,415)	(5,132)
Other changes in pension plan obligations	(9,866)	-	(9,866)
CHANGE IN NET ASSETS	(11,583)	(3,415)	(14,998)
BEGINNING NET (DEFICIT) ASSETS	(17,920)	153,654	135,734
ENDING NET (DEFICIT) ASSETS	$ (29,503)	$ 150,239	$ 120,736

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, 2018 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Orchestra performances	$ 7,400	-	$ 7,400
Non-orchestra performances	2,018	-	2,018
Government grants	2,982	-	2,982
Program advertising	155	-	155
Other	1,721	-	1,721
Total Orchestra and Heinz Hall	14,276	-	14,276
INVESTMENT ACTIVITIES REVENUE			
Interest and dividends	-	$ 1,398	1,398
Realized gains	-	13,050	13,050
Unrealized losses	-	(1,920)	(1,920)
Endowment draw	7,709	(7,709)	-
Total Investment Activities	7,709	4,819	12,528
OPERATING EXPENSES			
Orchestra	17,300	-	17,300
Production and Heinz Hall	11,706	-	11,706
General and administrative	5,523	28	5,551
Total Operating Expenses	34,529	28	34,557
(Deficit) Surplus before contributions	(12,544)	4,791	(7,753)
CONTRIBUTIONS			
Annual fund	7,795	4,334	12,129
Other operating gifts and capital projects	51	12	63
Endowment	-	1,296	1,296
Strategic initiatives	2,382	1,650	4,032
Fundraising expense - operating	(2,261)	-	(2,261)
Fundraising expense - endowment	(30)	-	(30)
Total Net Contributions	7,937	7,292	15,229
NET ASSETS RELEASED FROM RESTRICTIONS	2,923	(2,923)	-
Change in net assets before pension adjustment	(1,684)	9,160	7,476
Other changes in pension plan obligations	3,817	-	3,817
CHANGE IN NET ASSETS	2,133	9,160	11,293
BEGINNING NET (DEFICIT) ASSETS	(20,053)	144,494	124,441
ENDING NET (DEFICIT) ASSETS	$ (17,920)	$ 153,654	$ 135,734

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

PITTSBURGH SYMPHONY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 30, 2019
(With Comparative Totals for the Year Ended August 30, 2018)
(In Thousands)

	Program Services				Management and		Total Expenses	
	Orchestra	Production	Marketing	Heinz Hall	General	Fundraising	2019	2018
EXPENSES								
Personnel and benefits	$ 17,383	$ 964	$ 1,329	$ 1,216	$ 1,961	$ 1,324	$ 24,177	$ 23,864
Guest artists	-	3,129	-	-	-	107	3,236	3,520
Production	-	1,403	-	6	-	493	1,902	1,736
Touring	-	238	-	-	-	-	238	1,311
Advertising	-	-	1,247	-	-	17	1,264	1,207
Professional fees	-	86	552	-	304	183	1,125	1,101
Office expenses, equipment, and IT	-	48	209	81	189	173	700	752
Meetings, travel, and management expense	7	30	35	6	122	58	258	262
Utilities	-	-	-	271	-	-	271	250
Depreciation	-	-	-	1,359	88	-	1,447	1,422
Facilities, repairs, and maintenance	-	-	20	378	-	8	406	410
Interest and bank fees	-	-	133	3	549	27	712	604
Insurance	-	-	-	133	32	-	165	227
Other	-	10	-	-	66	179	255	182
Total Expenses	$ 17,390	$ 5,908	$ 3,525	$ 3,453	$ 3,311	$ 2,569	$ 36,156	$ 36,848

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

PITTSBURGH SYMPHONY, INC.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2019 and 2018
(in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (14,998)	$ 11,293
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,447	1,422
Contributions restricted for long-term investment	(1,368)	635
Realized and unrealized loss (gain) on investment activity	924	(11,130)
Changes in assets and liabilities:		
Receivables	(2,011)	(5,461)
Deferred expense and other assets	(159)	547
Accounts payable and accrued expenses	213	(805)
Advance ticket sales and other	(601)	922
Pension obligation	9,456	(4,014)
Net cash used in operating activities	(7,097)	(6,591)
Cash flows from investing activities:		
Investment in property and equipment	(212)	(390)
Proceeds from sale of investments	33,548	48,019
Purchase of investments	(27,798)	(43,366)
Net cash provided by investing activities	5,538	4,263
Cash flows from financing activities:		
Contributions restricted for endowment	1,209	2,045
Proceeds from line of credit	2,363	1,600
Payments on line of credit	(1,500)	(1,237)
Payments on notes payable	(650)	(650)
Net cash provided by financing activities	1,422	1,758
Net decrease in cash and cash equivalents	(137)	(570)
Cash and cash equivalents at beginning of year	420	990
Cash and cash equivalents at end of year	$ 283	$ 420
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 539	$ 427

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

PITTSBURGH SYMPHONY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018
(All Amounts in Thousands)

1. Organization:

Pittsburgh Symphony, Inc. (PSI), 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 used by PSI:

PSI classifies resources for accounting and reporting purposes 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 the 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 that are 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 the 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

2. Summary of Significant Accounting Policies, continued:

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 contributions made by governments, that are conditioned upon PSI incurring qualifying costs are recognized as those costs are incurred. 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 $70 and $72 as of August 31, 2019 and 2018, respectively. PSI's policy is to write off uncollectible pledges. Amounts written off for 2019 and 2018 were $179 and $141, respectively.

Continued

2. Summary of Significant Accounting Policies, continued:

During a prior year, the 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 45% and 60% of total receivables at August 31, 2019 and 2018, respectively.

During a prior year, the 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. Another $2 million is conditional upon meeting agreed-upon financial benchmarks during the years ended August 31, 2020 and 2021, at the rate of $1 million per year.

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.

Endowments:

PSI has implemented the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic Presentation of Financial Statements for Not-for-Profit Entities as it relates 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.

Continued

2. Summary of Significant Accounting Policies, continued:

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.

Income Recognition:

Amounts received in advance from grants and ticket sales are recognized as revenue in the statements of activities and changes in net assets during the period in which the performances occur. Related deferred costs are matched with such revenue.

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 market. 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 5-50 years. Expenditures for maintenance and repairs are expensed as incurred. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations for the period.

In accordance with the 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, 2019 and 2018.

Continued

2. Summary of Significant Accounting Policies, continued:

Pension Plan:

PSI follows the recognition and disclosure provisions of the 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:

At August 31, 2019 and 2018, approximately 70% and 58%, respectively, of the PSI's workforce is 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.

Functional Expenses:

The 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.

Recent Accounting Pronouncements:

In August 2016, the FASB issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. PSI adopted the provisions of ASU 2016-14 during the fiscal year ended August 31, 2019.

Continued

(All Amounts in Thousands)

2. Summary of Significant Accounting Policies, continued:

A recap of the net asset classifications driven by the adoption of ASU 2016-14 as of August 31, 2018 follows:

Net Asset Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted net deficit	$ (17,920)	-	$ (17,920)
Temporarily restricted	-	$ 11,358	11,358
Permanently restricted	-	142,296	142,296
Total Net Assets	$ (17,920)	$ 153,654	$ 135,734

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU 2014-09 (1) specifies the accounting for some costs to obtain or fulfill a contract with a customer, and (2) expands disclosure requirements related to revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and permits the use of either the retrospective or cumulative effect transition method. PSI is currently evaluating the impact that ASU 2014-09 will have on its financial statements and corresponding disclosures.

In March 2017, the FASB issued ASU No. 2017-07 Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07), which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities and changes in net assets separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in ASU 2017-07 also allow only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 is effective for fiscal years beginning after December 15, 2018 and should be applied retrospectively. Early adoption is permitted. PSI is currently evaluating the impact that ASU 2017-07 will have on its financial statements and corresponding disclosures.

Continued

2. Summary of Significant Accounting Policies, continued:

In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. PSI is currently evaluating the impact that ASU 2018-08 will have on its financial statements and corresponding disclosures.

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, 2020. Early adoption is permitted. PSI is currently evaluating the impact that ASU 2018-14 will have on its financial statements and corresponding disclosures.

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 its policy. Additionally, PSI maintains a line-of-credit to help meet cash needs. As of August 31, 2019, there was $413 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.

The PSI has endowment assets of over $131 million, of which 6.6% is drawn annually to support the general operations of PSI. 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%).

Continued

(All Amounts in Thousands)

3. Liquidity and Availability, continued:

The table below reflects the PSI's financial assets as of August 31, 2019, 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 annual draw of 6.6%, contributions receivable for fiscal years after 2020, 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 .4% difference could be withdrawn with a board resolution and written permission from a major donor.

The table below presents financial assets available for general expenditures within one year at August 31, 2019:

Total Financial Assets:		
Cash and cash equivalents	$	283
Accounts and interest receivable, net		100
Capital pledges, grants and contributions receivable, net		18,713
Notes receivable		118
Assets held in trust by others		3,834
Investments, at market		127,376
Total financial assets		150,424
Assets not available for general operations:		
Assets held in trust by others		3,834
Investments, at market		127,376
Pledges, grants and contributions subject to donor restriction		14,820
Notes receivable designated for instrument loans		118
Total assets not available for general operations		146,148
Total financial assets available for general operations		4,276
Liquidity resources available for general operations:		
Excess capacity on line of credit		413
Endowment draw for the year ending August 31, 2020		7,834
Total liquidity resources		8,247
Financial assets and liquidity resources available to meet general expenditures	$	12,523

Continued

(All Amounts in Thousands)

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:

	2019	2018
Operating contributions	$ 1,503	$ 1,802
Contributions restricted to future periods and capital projects	12,008	11,851
Contributions receivable to be maintained in perpetuity	5,859	4,491
	19,370	18,144
Less: Unamortized discount (at 1.39% in 2019 and 2.74% in 2018)	657	1,504
Net unconditional promises to give	$ 18,713	$ 16,640
Contributions receivable due in:		
Less than one year	$ 7,730	$ 5,394
One to five years	9,391	9,484
More than five years	2,249	3,266
Total	$ 19,370	$ 18,144

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.

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.

Continued

(All Amounts in Thousands)

5. Endowment, continued:

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, 2019 or 2018.

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

		2019
Endowment net assets, beginning of year	$	137,882
Investment return:		
Investment gain		1,513
Net depreciation		(916)
Contributions		2,919
Appropriation of endowment assets for expenditures		(7,689)
Release from restriction		(281)
General and administrative expense		(437)
Payment of endowment taxes		(10)
Other		9
Endowment net assets, end of year	$	132,990

		2018
Endowment net assets, beginning of year	$	132,458
Investment return:		
Investment gain		1,657
Net appreciation		10,806
Contributions		1,296
Appropriation of endowment assets for expenditures		(7,709)
Release from restriction		(303)
General and administrative expense		(295)
Payment of endowment taxes		(28)
Endowment net assets, end of year	$	137,882

Continued

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. The policies are also intended to protect the integrity of the assets and achieve the optimal return possible within the 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, the endowment assets are invested in a manner that is 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 while allowing 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 2019 and 2018, the spendable return totaled 6.7% and 6.8% or $7,689 and $7,709, 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.

6. Fair Value Measurement:

PSI applies the 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. The 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.

Continued

6. Fair Value Measurement, continued:

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, 2019 and 2018.

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, 2019 and 2018, 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.

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. The 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.

Continued

(All Amounts in Thousands)

6. Fair Value Measurement, continued:

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

	2019			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Investments:				
Temporary investments	$ 3,837	-	-	$ 3,837
Common stocks	22,312	-	-	22,312
Domestic equity mutual funds	5,513	-	-	5,513
International equity mutual funds	16,022	-	-	16,022
Assets held in trust by others	-	-	$ 3,834	3,834
Endowment assets in hierarchy	$ 47,684	-	$ 3,834	51,518
Fixed income instruments (a)				26,065
Real estate limited partnerships (a)				7,447
Other limited partnerships (a)				46,180
Total fair value of assets				$ 131,210

	2018			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Investments:				
Temporary investments	$ 3,319	-	-	$ 3,319
Common stocks	27,365	-	-	27,365
Domestic equity mutual funds	5,381	-	-	5,381
International equity mutual funds	19,099	-	-	19,099
Assets held in trust by others	-	-	$ 3,975	3,975
Endowment assets in hierarchy	$ 55,164	-	$ 3,975	59,139
Fixed income instruments (a)				26,930
Real estate limited partnerships (a)				5,852
Other limited partnerships (a)				45,963
Total fair value of assets				$ 137,884

(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. The 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.

Continued

(All Amounts in Thousands)

6. Fair Value Measurement, continued:

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 8/31/19	Fair Value 8/31/18	Unfunded Commitments At 8/31/19	Redemption Frequency	Redemption Notice Period
Real estate limited partnerships (a)	$ 7,447	$ 5,852	$ 1,621	None permitted	N/A
Other limited partnerships (b)	46,180	45,963	12,937	None permitted	N/A
Funds held in trust by others (c)	3,834	3,975	-	None permitted	N/A
Fixed income instruments (d)	26,065	26,930	-	Monthly	40-60 days
	$ 83,526	$ 82,720	$ 14,458		

The investment strategies employed by the funds listed above are as follows:

(a) 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.

(b) This fund category contains distressed debt, hedge, private equity, venture capital, international equity and natural resource funds from multiple investment companies.

(c) These funds represent two actively managed portfolios trusts, managed in perpetuity, containing readily tradable securities through public exchanges.

(d) 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.

The 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.

(All Amounts in Thousands)

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 $3,834 and $3,975 at August 31, 2019 and 2018, respectively. The trustees of both the McKelvy and Pickens Trusts have elected to adopt a 4.0 % payout rate under Act 141 for both 2019 and 2018. 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.

8. Net Assets With Donor Restrictions:

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

	2019	2018
Subject to expenditure for specified purpose:		
Programming	$ 1,159	$ 1,187
Capital	2,869	13
Touring	281	-
	4,309	1,200
Subject to the passage of time:		
Promises to give that are unavailable for expenditure until due	8,667	10,158
Maintained in perpetuity:		
General Endowment	115,939	123,215
The Pittsburgh Symphony 1963 Endowment	11,589	10,915
Major Campaign Pledges	5,564	3,854
Bessie Morrison McKelvy Trust	3,102	3,206
Pauline Beemer Pickens Trust	732	769
Morrison Fine String Instrument Loan Fund	254	254
Instrument Loan Fund	83	83
	137,263	142,296
	$ 150,239	$ 153,654

Continued

(All Amounts in Thousands)

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:

	2019	2018
Purpose of restrictions accomplished:		
Future Periods	$ 3,050	$ 2,198
Programming	532	207
Capital	6	35
Endowment	204	483
	$ 3,792	$ 2,923

The 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.

Continued

(All Amounts in Thousands)

9. Property and Equipment:

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

	2019	2018
Office equipment and furniture and fixtures	$ 1,880	$ 1,810
Musical and concert equipment	1,146	1,099
Original site and building	907	907
Site improvements	43,302	43,052
	47,235	46,868
Less - Accumulated depreciation	33,640	32,194
	13,595	14,674
Construction-in-process	26	182
	$ 13,621	$ 14,856

10. Pension Plans:

PSI has two noncontributory defined benefit pension plans. The Staff Pension Plan covers substantially all staff. The Musicians' Pension Plan covers musicians hired on or before March 1, 2011 who had more than five years of service as of September 5, 2011. (Musicians not eligible for the defined benefit plan are participants in a noncontributory defined contribution plan.) Participant benefits are earned based on salary levels and years of service. 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.

During the year ended August 31, 2017, the PSI and the union representing the musicians entered into a new five-year contract that expires on September 5, 2021. The terms of the contract stipulate that the Musicians' Pension Plan will be frozen as of August 31, 2019, and all musicians will be enrolled in the defined contribution plan at 8% of the musicians' base scale. PSI will make supplemental retirement contributions to those musicians most affected by the pension plan freeze.

Additionally, the Staff Pension Plan was frozen as of August 31, 2019, and replaced by a defined contribution plan with a dollar for dollar employer match for employee contributions to the plan up to 4% of salary. The Staff Pension Plan was frozen to new entrants, and no new benefit accruals shall be earned after August 31, 2019. PSI will make supplemental retirement contributions to those staff most affected by the pension plan freeze.

Continued

(All Amounts in Thousands)

10. Pension Plans, continued:

The Musicians' and Staff Pension Plans contain 65 and 66 active participants, respectively, as of September 1, 2019.

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

	Musician Plan		Staff Plan		Total	
	2019	2018	2019	2018	2019	2018
Accumulated benefit obligation	$ 44,398	$ 36,951	$ 17,325	$ 14,096	$ 61,723	$ 51,047
Plan assets at fair value, primarily invested in equity securities	$ 25,046	$ 24,396	$ 10,160	$ 9,978	$ 35,206	$ 34,374
Projected benefit obligation	(44,398)	(36,951)	(17,325)	(14,484)	(61,723)	(51,435)
Total funded position	$ (19,352)	$ (12,555)	$ (7,165)	$ (4,506)	$ (26,517)	$ (17,061)

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

	Musician Plan		Staff Plan		Total	
	2019	2018	2019	2018	2019	2018
Unrecognized actuarial loss	$ 23,942	$ 16,821	$ 6,267	$ 3,521	$ 30,209	$ 20,342

(All Amounts in Thousands)

10. Pension Plans, continued:

Amounts in net deficit without donor restrictions as of August 31, 2019 expected to be recognized as components of net periodic benefit cost in the year ending August 31, 2020 are:

	Musician Plan	Staff Plan	Total
Unrecognized actuarial loss	$ 831	$ 146	$ 977
Amounts not yet recognized in net periodic benefit cost	$ 831	$ 146	$ 977

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

	Musician Plan		Staff Plan		Total	
	2019	2018	2019	2018	2019	2018
Service cost	$ 417	$ 446	$ 340	$ 350	$ 757	$ 796
Interest cost	1,469	1,263	580	503	2,049	1,766
Expected return on plan assets	(1,592)	(1,481)	(651)	(585)	(2,243)	(2,066)
Amortization of prior service cost	-	-	-	-	-	-
Recognized actuarial loss	1,200	1,355	291	385	1,491	1,740
Total periodic benefit cost	$ 1,494	$ 1,583	$ 560	$ 653	$ 2,054	$ 2,236

The aggregated amount expected to be recognized in net periodic benefit cost during the period ending August 31, 2020 is $363.

Continued

(All Amounts in Thousands)

10. Pension Plans, continued:

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

	Musician Plan		Staff Plan	
	2019	2018	2019	2018
Discount rate	3.08 %	4.27 %	3.19 %	4.32 %
Expected return on plan assets	6.50	6.50	6.50	6.50
Rate of compensation increase (Staff Plan)	*	*	1.00	1.00

* Musician Plan rate of compensation increase is dictated by the musicians' collective bargaining agreement. The Musicians' scale wages were frozen for the fiscal years ended August 31, 2019 and 2018. Both the Musician and Staff Plans were frozen as of August 31, 2019, and therefore no new service cost will be accrued for either plan going forward.

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

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.

The plans' asset allocations at August 31, by asset category, are as follows:

	Musician Plan		Staff Plan	
	2019	2018	2019	2018
Asset Category:				
Registered investment companies	68 %	68 %	71 %	68 %
Corporate bonds	25	30	24	30
U.S. government securities	3	-	3	-
Cash and other	4	2	2	2
Total	100 %	100 %	100 %	100 %

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.

Continued

(All Amounts in Thousands)

10. Pension Plans, continued:

The fair value of investments categorized as Level 1 includes investments in cash and cash equivalents, U.S. government securities 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. 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.

The fair value of the financial assets comprising the plans' investments excluding accrued income, in the amount of $53 and $82, at August 31, respectively, is shown in the following table:

	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,144	-	-	$ 1,144
U.S. government securities	1,103			1,103
Corporate debt instruments	-	$ 8,553	-	8,553
Registered investment companies	24,353	-	-	24,353
	$ 26,600	$ 8,553	-	$ 35,153

	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 700	-	-	$ 700
Corporate debt instruments	-	$ 10,354	-	10,354
Registered investment companies	23,238	-	-	23,238
	$ 23,938	$ 10,354	-	$ 34,292

Continued

(All Amounts in Thousands)

10. Pension Plans, continued:

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

	Musician Plan		Staff Plan		Total	
	2019	2018	2019	2018	2019	2018
Employer contributions	$ 1,816	$ 1,500	$ 648	$ 933	$ 2,464	$ 2,433
Benefits paid	1,503	1,637	544	551	2,047	2,188

PSI expects to make contributions to the Musician Plan and Staff Plan of $1,903 and $642, respectively, during the year ending August 31, 2020.

The following pension benefit payments, which reflect expected future service, are expected to be paid:

Fiscal Year	Musician Plan	Staff Plan	Total
2019-20	$ 2,407	$ 637	$ 3,044
2020-21	1,943	641	2,584
2021-22	2,093	643	2,736
2022-23	2,166	655	2,821
2023-24	2,249	684	2,933
2025-2029	11,801	3,699	15,500

The following changes in plan assets and benefit obligations were recognized in net deficit without donor restrictions for the year ended August 31, 2019:

	Musician Plan	Staff Plan	Total
Net actuarial loss	$ 8,320	$ 3,037	$ 11,357
Recognized actuarial gain	(1,200)	(291)	(1,491)
Total recognized in net deficit without donor restrictions for 2019	$ 7,120	$ 2,746	$ 9,866

Continued

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 2016, 2017 and 2018 remain open to examination.

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 2019 and 2018 was $7,387 and $6,524, respectively. The line-of-credit is due on demand. This line of credit 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 for 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. The 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 the PSI. The outstanding balance of this loan for 2019 and 2018 was $963 and $1,313, respectively.

PSI entered into a $3,000 term loan with a Pittsburgh-based commercial bank in December 2014. Payments were for interest-only for 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. The proceeds from this loan were used to fund contributions to the musician pension plan. The loan is guaranteed by a major contributor to the PSI. The outstanding balance of this loan for 2019 and 2018 was $2,200 and $2,500, respectively.

Continued

(All Amounts in Thousands)

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 for the first two years. This loan bears interest at a rate of 50 basis points below the bank's prime lending rate. The 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 the PSI will repay the bank with the grant proceeds immediately upon receipt. In May 2020, the loan was extended to August 1, 2020.

The aggregate annual principal payments due subsequent to August 31, 2019 are as follows:

Fiscal Year August 31	Amount
2020	$ 2,150
2021	650
2022	563
2023	300
2024	300
Thereafter	700
	$ 4,663

14. 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.

15. 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 June 15, 2020, 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.

Continued

15. Subsequent Events, continued:

The effects of the 2019/2020 novel coronavirus pandemic could materially and adversely affect PSI and its operations. PSI is unable to accurately predict how the pandemic will affect the results of its operations because the severity and duration of the outbreak are uncertain. While it is premature to accurately predict the ultimate impact of these developments, PSI expects its results for the year ended August 31, 2020 to be impacted.

On April 16, 2020, PSI entered into a term note with Dollar Bank with a principal amount of approximately $4,529,000 pursuant to the Paycheck Protection Program ("PPP Term Note") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), as amended by the Paycheck Protection Program Flexibility Act in June 2020. The PPP Loan is evidenced by a promissory note. The PPP Term Note bears interest at a fixed annual rate of 1.00% with a 2 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 may be accelerated upon the occurrence of an event of default. The PPP Term Note is unsecured and guaranteed by the United States Small Business Administration. Under the CARES Act, PSI may apply to Dollar Bank for forgiveness of the PPP Term Note, with the amount which may be forgiven equal to the sum of eligible payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by PSI during the twenty-four-week period beginning upon receipt of PPP Term Note funds, April 17, 2020, calculated in accordance with the terms of the CARES Act. PSI is currently evaluating the impact of the Flexibility Act on the PPP Term Note and will pursue an amendment if the changes are favorable to PSI

16. Operating Environment:

The PSI operates in an increasingly competitive business environment, which affects both earned and contributed revenue. Substantially all of the net assets of the PSI are endowed in perpetuity, largely represented by its investment portfolio, and the total return from these investments has restricted availability. PSI reported a net deficit without donor restrictions as of August 31, 2019 and 2018, resulting from the historical deficit of annual operating expenses over revenue without donor restrictions. The annual operating expenses are primarily driven by the costs of operating the orchestra, production, and Heinz Hall, as well as annual changes due to the pension obligation.

Due to the challenges of managing cash flow from the volatility of contributed revenue and ticket sales, management closely monitors cash positions weekly and forecasts for potential cash inflows and outflows up to one year in advance to identify what months PSI will have the cash reserves to fund operations and which months will require a draw from the endowment. PSI drew 6.7% from the endowment during the year ended August 31, 2019. While the long-term strategy for operations is to reduce the endowment draw by .1% a year to reach a 6% annual draw, the PSI may request an increase to the amount drawn up to 7%, if necessary, due to the impact of COVID-19.

Continued

16. Operating Environment, continued:

Historically, the uncertainty created by volatility in pension liability has made it challenging for PSI to accurately forecast cash needs into the future. PSI has taken steps to reduce this volatility by converting from defined benefit pension plans to defined contribution plans as of August 31, 2019. All musicians have been enrolled in the defined contribution plan and PSI will contribute at the rate of 8% of base scale wage. PSI will make supplemental retirement contributions to those musicians most affected by the pension plan freeze. All eligible staff members have been enrolled in a defined contribution plan in which PSI will match employee contributions up to 4% of eligible salary and make supplemental retirement contributions to those staff members most affected by the pension plan freeze.

Despite these pension plan changes, PSI will need to continue to make significant cash contributions to the pension plans related to prior service cost in the form of net shortfall amortization installments, which are payable over a 7-year period. This shortfall is calculated as $6,387 and $1,607 for the musicians' plan and the staff plan, respectively, over the 7 years. In addition, PSI continues to pay installments on the pension loans initiated in 2009 and 2014, which have a combined outstanding balance of $3,163. These pension payments are significant and represent cash needs outside of the current operating budget.

Over the last year, board and management made proposals to various foundations for support to fund the pension shortfalls and address critical capital needs for Heinz Hall. These proposals have been largely successful, and the pension task force is working to determine the best use of these funds going forward.

As a result of the COVID-19 pandemic, PSI announced the first of several concert, tour and event postponements and cancellations on March 13, 2020, with performances currently cancelled through August 31, 2020. Management and the board are meeting frequently to assess the situation and make adjustments to operations as needed. PSI is monitoring cash flow daily to adjust for anticipated decreases in earned and contributed revenue due to cancelled concerts and the foreign tour and to align operating costs with the decrease in revenues. In order to respond to these challenges, PSI has implemented several actions during 2020. PSI has instituted salary reductions for musicians and certain employees continuing to work during the pandemic. Further, PSI reduced the balance on its line of credit from $7,387 outstanding as of August 31, 2019, to $1,159 as of June 1, 2020, helping to limit the impact of interest charges incurred by the PSI over the next year. Finally, during fiscal year 2020, the PSI has aggressively fundraised and as a result received several individual significant gifts that alone totaled in excess of $18,500, which are aimed at helping some of the most challenging factors facing PSI: maintaining general operations during the COVID-19 pandemic, funding pension shortfalls and maintaining adequate capital investment in Heinz Hall.

Continued

16. Operating Environment, continued:

While the long-term effects of the pandemic are not yet known, PSI is working on the financial recovery plan discussed above to carry it into its 125th anniversary season next year. The ability of PSI to meet its obligations is contingent upon an economic recovery after COVID-19 restrictions have been lifted, as well as its ability to continue generating cash flows from operations and contributed support from its donors. PSI management and the board believe that these efforts will produce positive results, however the ultimate successful outcome of the plan cannot be assured.

Artistically, PSI is experiencing tremendous international success, including a well-received European tour in the fall of 2019, accolades from local, national, and international press, Grammy nominations, and, most importantly, impactful performances on stage and in the community that bring great music to every life.