PITTSBURGH SYMPHONY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT THEREON

for the years ended August 31, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities and changes in net assets 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.

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, 2018 and 2017, 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.

Schneider Downs & Co., Inc.
www.schneiderdowns.com
PrimeGlobal
An Association of Independent Accounting Firms

One PPG Place, Suite 1700
Pittsburgh, PA 15222
TEL 412.261.3644
FAX 412.261.4876

65 E. State Street, Suite 2000
Columbus, OH 43215
TEL 614.621.4060
FAX 614.621.4062

Emphasis of Matter

As discussed in Note 14 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, rising operational costs and a significant pension liability. Management's plans regarding these matters are also described in Note 14.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
June 19, 2019

PITTSBURGH SYMPHONY, INC.
STATEMENTS OF FINANCIAL POSITION AS OF AUGUST 31, 2018 and 2017 (in thousands)

	2018	2017
ASSETS:		
Cash and cash equivalents	$ 420	$ 990
Accounts and interest receivable, net	46	640
Capital pledges, grants and contributions receivable, net	16,640	13,265
Notes receivable	75	75
Deferred expense and other assets	575	1,122
Property and equipment, net (Note 8)	14,856	15,888
Assets held in trust by others (Note 4 and 5)	3,975	3,743
Investments, at market (Note 4)	133,909	127,664
TOTAL ASSETS	$ 170,496	$ 163,387
LIABILITIES AND NET ASSETS:		
Accounts payable	$ 200	$ 955
Line of credit (Note 12)	6,524	6,161
Notes payable (Note 12)	5,313	5,963
Accrued expenses	328	378
Advance ticket sales and other	5,336	4,414
Pension benefit liability (Note 9)	17,061	21,075
TOTAL LIABILITIES	34,762	38,946
UNRESTRICTED NET DEFICIT	(17,920)	(20,053)
TEMPORARILY RESTRICTED NET ASSETS (Note 6)	11,358	7,802
PERMANENTLY RESTRICTED NET ASSETS (Note 7)	142,296	136,692
TOTAL NET ASSETS	135,734	124,441
TOTAL LIABILITIES AND NET ASSETS	$ 170,496	$ 163,387

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)

	Unrestricted	Temporarily Restricted	Permanently Restricted	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, net of manager's fees of $320	-	-	$ 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
Release of restricted gift	-	-	-	-
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	5,996	1,296	15,229
NET ASSETS RELEASED FROM RESTRICTIONS	2,923	(2,440)	(483)	-
Change in net assets before pension adjustment	(1,684)	3,556	5,604	7,476
Other changes in pension plan obligations	3,817	-	-	3,817
CHANGE IN NET ASSETS	2,133	3,556	5,604	11,293
BEGINNING NET ASSETS	(20,053)	7,802	136,692	124,441
ENDING NET ASSETS	$ (17,920)	$ 11,358	$ 142,296	$ 135,734

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, 2017 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Orchestra performances	$ 5,776	-	-	$ 5,776
Non-orchestra performances	1,308	-	-	1,308
Government grants	2,899	-	-	2,899
Program advertising	108	-	-	108
Other	1,181	-	-	1,181
Total Orchestra and Heinz Hall	11,272	-	-	11,272
INVESTMENT ACTIVITIES REVENUE				
Interest and dividends, net of manager's fees of $389	-	-	$ 1,357	1,357
Realized gains	-	-	6,700	6,700
Unrealized gains	-	-	10,552	10,552
Endowment draw	7,875	-	(7,875)	-
Total Investment Activities	7,875	-	10,734	18,609
OPERATING EXPENSES				
Orchestra	16,325	-	-	16,325
Production and Heinz Hall	9,302	-	-	9,302
General and administrative	5,262	-	-	5,262
Total Operating Expenses	30,889	-	-	30,889
Deficit before contributions	(11,742)	-	10,734	(1,008)
CONTRIBUTIONS				
Annual fund	7,392	$ 1,190	-	8,582
Other operating gifts and capital projects	555	35	-	590
Release of restricted gift	1,848	(924)	(924)	-
Endowment	-	-	279	279
Settlement and strategic initiatives	1,252	-	-	1,252
Other	(1)	(28)	97	68
Fundraising expense - operating	(2,094)	-	-	(2,094)
Fundraising expense - endowment	(40)	-	-	(40)
Total Net Contributions	8,912	273	(548)	8,637
NET ASSETS RELEASED FROM RESTRICTIONS	2,886	(2,416)	(470)	-
Change in net assets before pension adjustment	56	(2,143)	9,716	7,629
Other changes in pension plan obligations	4,987	-	-	4,987
CHANGE IN NET ASSETS	5,043	(2,143)	9,716	12,616
BEGINNING NET ASSETS	(25,096)	9,945	126,976	111,825
ENDING NET ASSETS	$ (20,053)	$ 7,802	$ 136,692	$ 124,441

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

PITTSBURGH SYMPHONY, INC.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2018 and 2017
(in thousands)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 11,293	$ 12,616
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,422	1,278
Contributions restricted for long-term investment	635	1,042
Realized and unrealized gain on investment activity	(11,130)	(17,252)
Changes in assets and liabilities:		
Receivables	(5,461)	3,004
Deferred expense and other assets	547	(614)
Accounts payable and accrued expenses	(805)	(582)
Advance ticket sales and other	922	(823)
Pension obligation	(4,014)	(3,131)
Net cash used in operating activities	(6,591)	(4,462)
Cash flows from investing activities:		
Investment in property and equipment	(390)	(221)
Proceeds from sale of investments	48,019	35,492
Purchase of investments	(43,366)	(29,133)
Net cash provided by investing activities	4,263	6,138
Cash flows from financing activities:		
Contributions restricted for endowment	2,045	321
Proceeds from line of credit	1,600	2,027
Payments on line of credit	(1,237)	(3,666)
Payments on notes payable	(650)	(520)
Net cash provided by (used in) financing activities	1,758	(1,838)
Net decrease in cash and cash equivalents	(570)	(162)
Cash and cash equivalents at beginning of year	990	1,152
Cash and cash equivalents at end of year	$ 420	$ 990
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 427	$ 385

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

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:

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions or stipulations as to use or purpose. Such net assets may be designated by the Board of Directors (Board) of PSI for specific purposes or limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of PSI or the passage of time.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed restrictions or stipulations that dictate that they be maintained in perpetuity.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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/(depreciation) in fair value from investments are reported as investment activities revenue.

Donor-Imposed Restrictions:

All contributions are considered to be available for unrestricted 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 temporarily restricted or changes in permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Certain temporarily restricted funds were received and expended during the same year. These funds are classified in the statements of activities and changes in net assets as unrestricted funds.

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 $72 and $42 as of August 31, 2018 and 2017, respectively. PSI's policy is to write off uncollectible pledges. Amounts written off for 2018 and 2017 were $141 and $82, respectively.

Continued

(all amounts in thousands)

2. Summary of Significant Accounting Policies, continued

	2018	2017
Operating contributions	$ 1,802	$ 1,298
Contributions restricted to future periods and capital projects	11,851	7,724
Permanently restricted contributions receivable	4,491	5,126
	18,144	14,148
Less: Unamortized discount (at 2.74% in 2018 and 1.70% in 2017)	(1,504)	(883)
Net unconditional promises to give	$ 16,640	$ 13,265
Contributions receivable due in:		
Less than one year	$ 5,394	$ 4,758
One to five years	9,484	4,361
More than five years	3,266	5,029
Total	$ 18,144	$ 14,148

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 permanently restricted. During the year ended August 31, 2017, the director further revised the terms of this pledge, removing all restrictions from the last two years of the pledge in the amount of $2 million, which the director paid during 2017. Approximately $1.7 million of such funds were then designated by the Board to supplement musician compensation over the life of the contract. Contributions receivable from this director represented 60% and 71% of total receivables at August 31, 2018 and 2017, respectively.

During a prior year, the PSI received a conditional grant from a foundation of $5 million under the capital campaign. Grant funds were to become available if PSI attained a "repeatable" balanced budget by the fiscal year ended August 31, 2017. During the year ended August 31, 2017, the donor repurposed their gift to be part operating support and part contingent on both fundraising challenges and meeting agreed upon financial benchmarks. PSI recognized $500,000 as operating support during the year ended August 31, 2017, and $1.25 million as operating support during the year ended August 31, 2018, upon meeting fundraising challenges related to attracting new donors and increased donations from existing donors. Approximately $1.25 million remains conditional upon meeting fundraising challenges by August 31, 2019, and another $2 million will be conditional upon meeting agreed upon financial benchmarks during the years ended August 31, 2020 and 2021, at the rate of $1 million per year.

Continued

2. Summary of Significant Accounting Policies, continued

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, interest and dividends) is included in unrestricted net assets unless the income is restricted by donor or law, as is substantially all income (see also Note 3). The cost of investment securities sold is determined using the specific identification method.

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's (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 nonprofit 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 3 - 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.

Continued

2. Summary of Significant Accounting Policies, continued

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 unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets that must be maintained in perpetuity are included in permanently restricted net assets. Absent explicit donor stipulations regarding the time period those long-lived assets must be maintained, PSI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 may 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 both fiscal years ended August 31, 2018 and 2017.

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 unrestricted net assets, 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 (ERISA).

Concentration Risk:
At August 31, 2018 and 2017, approximately 52% and 55%, respectively, of the PSI's workforce is union-represented and subject to collective bargaining agreements. The individual unions may limit the Company'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.

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 19, 2019, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements:

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement - Disclosure Framework (Topic 820), which improves the disclosure requirements on fair value measurements and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. PSI adopted the provisions of ASU 2018-13 during the fiscal year ended August 31, 2018.

Continued

2. Summary of Significant Accounting Policies, continued

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, 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, the update (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 assessing the impact that ASU 2014-09 will have on its financial statements and corresponding disclosures.

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. Early adoption is permitted. PSI is assessing the impact the ASU 2016-14 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 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.

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.

Continued

(all amounts in thousands)

2. Summary of Significant Accounting Policies, continued

In August 2018, the FASB issued ASU 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. PSI is currently evaluating the impact that ASU 2018-14 will have on its financial statements.

3. Endowment:

The endowment consists of various investment funds established primarily for programming and operating needs of PSI and includes donor-restricted and Board-designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has elected to be governed by Act 141, which permits a total return policy that allows a nonprofit 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.

Donor-restricted and unrestricted endowment funds are composed of the following net assets as of August 31, 2018 and 2017, respectively:

	Unrestricted	Permanently Restricted	Total
2018	$ (102)	$ 137,984	$ 137,882
2017	$ (102)	$ 132,560	$ 132,458

Continued

(all amounts in thousands)

3. Endowment, continued

The following represents the change in endowment funds by net asset type for the year ended August 31, 2018:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (102)	$ 132,560	$ 132,458
Investment return:			
Investment gain	-	1,657	1,657
Net appreciation	-	10,806	10,806
Contributions	-	1,296	1,296
Appropriation of endowment assets for expenditures	-	(7,709)	(7,709)
Release from restriction	-	(303)	(303)
General and administrative expense	-	(295)	(295)
Payment of endowment taxes	-	(28)	(28)
Endowment net assets, end of year	$ (102)	$ 137,984	$ 137,882

The following represents the change in endowment funds by net asset type for the year ended August 31, 2017:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (102)	$ 123,035	$ 122,933
Investment return:			
Investment gain	-	1,658	1,658
Net appreciation	-	16,925	16,925
Contributions	-	279	279
Appropriation of endowment assets for expenditures	-	(7,875)	(7,875)
Release from restriction	-	(289)	(289)
Other	-	93	93
General and administrative expense	-	(342)	(342)
Repurpose of endowment gift	-	(924)	(924)
Endowment net assets, end of year	$ (102)	$ 132,560	$ 132,458

Continued

3. Endowment, continued

As discussed in Note 2, a director revised the conditions on a $12 million pledge during 2017, removing all restrictions from the last two years of the pledge in the amount of $2 million, $1 million of which had been designated for permanent restriction. The release of the discounted amount previously recorded within permanently restricted net assets was approximately $924 for the year ended August 31, 2017.

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 2018 and 2017, the spendable return totaled 6.8% and 6.9% or $7,709 and $7,875, 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.

4. 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:

Continued

4. Fair Value Measurement, continued

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, 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, 2018 and 2017.

The carrying amount of cash and cash equivalents, accounts and interest 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, 2018 and 2017, 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:

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.

Continued

(all amounts in thousands)

4. Fair Value Measurement, continued

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 net asset values 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:

	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

	2017			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Investments:				
Temporary investments	$ 4,837	-	-	$ 4,837
Common stocks	24,670	-	-	24,670
Domestic equity mutual funds	7,673	-	-	7,673
International equity mutual funds	33,871	-	-	33,871
Assets held in trust by others	-	-	$ 3,743	3,743
Endowment assets in hierarchy	$ 71,051	-	$ 3,743	74,794
Fixed income instruments (a)				18,762
Real estate limited partnerships (a)				4,864
Other limited partnerships (a)				32,987
Total fair value of assets				$ 131,407

(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)

4. 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 net asset value.

Category	Fair Value At 8/31/18	Fair Value At 8/31/17	Unfunded Commitments At 8/31/18	Redemption Frequency	Redemption Notice Period
Real estate limited partnerships (a)	$ 5,852	$ 4,864	$ 4,368	None permitted	N/A
Other limited partnerships (b)	45,963	32,987	13,127	None permitted	N/A
Funds held in trust by others (c)	3,975	3,743	-	None permitted	N/A
Fixed income instruments (d)	26,930	18,762	-	Monthly	40-60 days
	$ 82,720	$ 60,356	$ 17,495		

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.

Continued

(all amounts in thousands)

5. 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 $3,975 and $3,743 at August 31, 2018 and 2017, respectively. The trustees of both the McKelvy and Pickens Trusts have elected to adopt a 4.0% payout rate under Act 141 for both 2018 and 2017. 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.

6. Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31 are composed of the following:

	2018	2017
Future periods	$ 10,158	$ 6,871
Programming	1,187	895
Capital	13	36
	$ 11,358	$ 7,802

Net assets were released from donor restrictions during the years ended August 31, 2018 and 2017 by incurring expenses satisfying the restricted purposes, passage of time, or by occurrence of other events specified by donors and grantors.

7. Permanently Restricted Net Assets:

	2018	2017
General Endowment	$ 123,215	$ 116,795
The Pittsburgh Symphony 1963 Endowment	10,915	11,072
Major Campaign Pledges	3,854	4,693
Bessie Morrison McKelvy Trust	3,206	3,051
Pauline Beemer Pickens Trust	769	744
Morrison Fine String Instrument Loan Fund	254	254
Instrument Loan Fund	83	83
	$ 142,296	$ 136,692

Continued

(all amounts in thousands)

7. Permanently Restricted Net Assets, continued

The assets of the General Endowment include various permanently restricted funds 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 permanently restricted and operating reserve assets. PSI receives the interest and dividends only 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.

8. Property and Equipment:

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

	2018	2017
Office equipment and furniture and fixtures	$ 1,810	$ 1,726
Musical and concert equipment	1,099	987
Original site and building	907	907
Site improvements	43,052	43,013
	46,868	46,633
Less: Accumulated depreciation	(32,194)	(30,794)
	14,674	15,839
Construction-in-process	182	49
	$ 14,856	$ 15,888

9. 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.

Continued

(all amounts in thousands)

9. Pension Plans, continued

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.

The Musicians' and Staff Pension Plans contain 69 and 57 active participants, respectively, as of September 1, 2018.

The following sets forth the plans' funded status at August 31, 2018 and 2017:

	Musician Plan		Staff Plan		Total	
	2018	2017	2018	2017	2018	2017
Accumulated benefit obligation	$ 36,951	$ 38,087	$ 14,096	$ 14,310	$ 51,047	$ 52,397
Plan assets at fair value, primarily invested in equity securities	$ 24,396	$ 22,839	$ 9,978	$ 8,962	$ 34,374	$ 31,801
Projected benefit obligation	(36,951)	(38,087)	(14,484)	(14,789)	(51,435)	(52,876)
Total funded position	$ (12,555)	$ (15,248)	$ (4,506)	$ (5,827)	$ (17,061)	$ (21,075)

Included in unrestricted net deficit at August 31, 2018 and 2017 are:

	Musician Plan		Staff Plan		Total	
	2018	2017	2018	2017	2018	2017
Unrecognized actuarial loss	$ 16,821	$ 19,598	$ 3,521	$ 4,562	$ 20,342	$ 24,160

Amounts in unrestricted net deficit as of August 31, 2018 expected to be recognized as components of net periodic benefit cost in the year ending August 31, 2019 are:

	Musician Plan	Staff Plan	Total
Unrecognized actuarial loss	$ 1,168	$ 277	$ 1,445
prior service cost	-	-	-
Amounts not yet recognized in net periodic benefit cost	$ 1,168	$ 277	$ 1,445

Continued

(all amounts in thousands)

9. Pension Plans, continued

The components of the net periodic benefit cost for the years ended August 31, 2018 and 2017 are as follows:

	Musician Plan		Staff Plan		Total	
	2018	2017	2018	2017	2018	2017
Service cost	$ 446	$ 566	$ 350	$ 428	$ 796	$ 994
Interest cost	1,263	1,435	503	558	1,766	1,993
Expected return on plan assets	(1,481)	(1,371)	(585)	(533)	(2,066)	(1,904)
Amortization of prior service cost	-	-	-	-	-	-
Recognized actuarial loss	1,355	1,605	385	638	1,740	2,243
Total periodic benefit cost	$ 1,583	$ 2,235	$ 653	$ 1,091	$ 2,236	$ 3,326

The aggregated amount expected to be recognized in net periodic benefit cost during the period ending August 31, 2019 is $2,040.

Weighted average assumptions used to determine net periodic benefit cost for the plan as of August 31, 2018 and 2017 were as follows:

	Musician Plan		Staff Plan	
	2018	2017	2018	2017
Discount rate	4.27 %	4.00 %	4.32 %	4.00 %
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 their collective bargaining agreement. The Musicians' scale wages were frozen for the fiscal years ended August 31, 2018 and 2019. Wages will increase by 2% for the fiscal year ending August 31, 2020 and will increase by 6% for the fiscal year ending August 31, 2021.

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

Continued

(all amounts in thousands)

9. 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.

The plans' asset allocations at August 31, 2018 and 2017, by asset category, are as follows:

	Musician Plan		Staff Plan	
	2018	2017	2018	2017
Asset Category:				
Registered investment companies	68 %	69 %	68 %	70 %
Corporate bonds	30	28	30	26
Cash and other	2	3	2	4
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.

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. 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 $82 and $56, at August 31, 2018 and 2017, respectively, is shown in the following table:

Continued

(all amounts in thousands)

9. Pension Plans, continued

	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

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 969	-	-	$ 969
Corporate debt instruments	-	$ 8,748	-	8,748
Registered investment companies	22,028	-	-	22,028
	$ 22,997	$ 8,748	-	$ 31,745

PSI made contributions to the plans and the plans paid benefits as follows during the years ended August 31, 2018 and 2017:

	Musician Plan		Staff Plan		Total	
	2018	2017	2018	2017	2018	2017
Employer contributions	$ 1,500	$ 1,124	$ 933	$ 346	$ 2,433	$ 1,470
Benefits paid	1,637	1,551	551	492	2,188	2,043

PSI expects to make contributions to the Musician Plan and Staff Plan of $1,824 and $676, respectively, during the year ending August 31, 2019.

Continued

(all amounts in thousands)

9. Pension Plans, continued

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

	Musician Plan	Staff Plan	Total
2018-19	$ 1,614	$ 633	$ 2,247
2019-20	1,826	640	2,466
2020-21	1,830	644	2,474
2021-22	2,037	650	2,687
2022-23	2,114	664	2,778
2024-2028	11,490	3,751	15,241

The following changes in plan assets and benefit obligations were recognized in unrestricted net assets for the year ended August 31, 2018:

	Musician Plan	Staff Plan	Total
Net actuarial gain	$ (1,421)	$ (656)	$ (2,077)
Recognized actuarial gain	(1,355)	(385)	(1,740)
Total recognized in unrestricted net assets (deficit) for 2018	$ (2,776)	$ (1,041)	$ (3,817)

10. 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 2015, 2016 and 2017 remain open to examination.

11. 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.

Continued

(all amounts in thousands)

12. 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 2018 and 2017 was $6,524 and $6,161, respectively. 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 2018 and 2017 was $1,313 and $1,663, 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 2018 and 2017 was $2,500 and $2,800, respectively.

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 was used to pay construction costs associated with the above grant, and the PSI will repay the bank with the grant proceeds immediately upon receipt. Subsequent to the year ended August 31, 2018, the loan was extended through April 1, 2020.

The aggregate annual principal payments due subsequent to August 31, 2018 are as follows:

2019	$ 2,150
2020	650
2021	650
2022	563
2023	300
Thereafter	1,000
Total	$ 5,313

Continued

13. Contingencies:

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

14. 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 permanently restricted, largely represented by its investment portfolio, and the total return from these investments has restricted availability. PSI reported negative unrestricted net asset positions as of August 31, 2018 and 2017, resulting from the historical deficit of annual operating expenses over unrestricted revenue. 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. Additionally, 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 identify which months will require a draw from the endowment. PSI drew approximately 6.8% from the endowment during the year ended August 31, 2018, and plans to further reduce the endowment draw by .1% a year to reach a 6% annual draw. Management believes that this strategy continues to be appropriate and will enable PSI to sustain operations.

Historically, the uncertainty created by volatility in pension liability has made it challenging for PSI to accurately forecast cash needs into the future. PSI is taking steps to reduce this volatility by converting from defined benefit pension plans to defined contribution plans as of August 31, 2019. As a part of the settlement, the musicians' defined benefit pension will be frozen as of August 31, 2019, and all musicians will be enrolled in the defined contribution plan at the rate of 8% of each musicians' base scale wage. PSI will make supplemental retirement contributions to those musicians most affected by the pension plan freeze. The Board has decided that the staff defined benefit pension plan will be frozen as of August 31, 2019, and all eligible staff members will be enrolled in a defined contribution plan. PSI will make supplemental retirement contributions to those staff members most affected by the pension plan freeze. The plan documents related to the staff pension freeze have not yet been finalized.

Continued

14. Operating Environment, continued

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 $5,737 and $1,133 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 $3,813. These pension payments are significant and represent cash needs outside of the current operating budget.

PSI continues to implement the updated strategic plan, which is focused on improving the financial performance by growing earned and contributed revenue through an enhanced patron experience and improved community relevance. The strategic imperatives of the plan are artistic excellence, audience engagement, community relevance, and financial sustainability. PSI has seen positive results from the implementation of the strategic plan. The Commonwealth of Pennsylvania has increased their operating support, as has the Allegheny Regional Asset District for the year ended August 31, 2019. As of April 2019, PSI unlocked the last $1.25 million of the $2.5 million conditional challenge grant from a foundation (discussed in Note 2), which matched new and increased support. PSI is focusing on growing the annual fund, experiencing significant growth in the year ended August 31, 2018 and the current fiscal year to date. The board and management have presented proposals to various foundations for support to fund the pension shortfalls and address critical capital needs for Heinz Hall, and PSI is waiting on the outcome of those proposals.

Artistically, PSI is experiencing a tremendous year, including the moving Tree of Life tribute, a Grammy nomination for Best Orchestral Performance for 'Beethoven Symphony No. 5 and Strauss Horn Concerto' featuring William Caballero and conducted by Manfred Honeck, and an engagement at Lincoln Center as part of the *Great Performers* series.

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