

# **Financial Statements**

**August 31, 2020**

**American Harp Society, Inc.  
(Not-For-Profit Corporations)**

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Table of Contents**

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	<u>Page</u>
<b>Independent Accountant's Review Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
<b>Notes to Financial Statements</b>	6



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors  
*American Harp Society, Inc.*  
Bellingham, MA

We have reviewed the accompanying financial statements of American Harp Society, Inc., a not-for-profit organization (the "Society"), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of American Harp Society, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*McDermitt Davis*

Orlando, Florida  
May 26, 2021

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Financial Position**  
August 31, 2020

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	<u>2020</u>
<b>Assets</b>	
Cash	\$ 350,251
Investments	567,870
<b>Total assets</b>	<u>\$ 918,121</u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Account payable and accrued liabilities	\$ 16,160
<b>Total liabilities</b>	<u>16,160</u>
Net Assets:	
Without donor restrictions:	
Board designated	\$ 292,414
Undesignated	471,443
With donor restrictions	138,104
<b>Total net assets</b>	<u>901,961</u>
<b>Total liabilities and net assets</b>	<u>\$ 918,121</u>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Activities**  
Year Ended August 31, 2020

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>			
Membership dues	\$ 163,820	\$ -	\$ 163,820
Event income	6,669	-	6,669
Contributions	8,083	50,350	58,433
Publication income	27,198	-	27,198
Investment income	54,050	1,398	55,448
Other income	40,842	573	41,415
Net assets released from restrictions	-	-	-
<b>Total revenues</b>	<b>300,662</b>	<b>52,321</b>	<b>352,983</b>
<b>Expenses:</b>			
Program services:			
Member programs	78,888	-	78,888
Publication of Harp Journal	76,451	-	76,451
Conferences, competitions, and other	35,859	-	35,859
<b>Total program services</b>	<b>191,198</b>	<b>-</b>	<b>191,198</b>
<b>General and Administrative</b>	<b>55,199</b>	<b>-</b>	<b>55,199</b>
<b>Total expenses</b>	<b>246,397</b>	<b>-</b>	<b>246,397</b>
<b>Change in net assets</b>	<b>54,265</b>	<b>52,321</b>	<b>106,586</b>
Net assets, beginning of year	709,592	85,783	795,375
<b>Net assets, end of year</b>	<b>\$ 763,857</b>	<b>\$ 138,104</b>	<b>\$ 901,961</b>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Cash Flows**  
Year Ended August 31, 2020

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	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>	
Membership dues	\$ 163,820
Publication income	27,198
Event income	6,669
Contributions	58,433
Other income	41,415
Investment income	55,448
Cash paid to employees and contractors	(102,311)
Cash paid to program suppliers	(135,204)
	<u>115,468</u>
<b>Net cash provided by operating activities</b>	<u>115,468</u>
<b>Cash Flows from Investing Activities:</b>	
Sale of investments	5,574
	<u>5,574</u>
<b>Net cash provided by investing activities</b>	<u>5,574</u>
<b>Net increase in cash and cash equivalents</b>	121,042
Cash and cash equivalents, beginning of year	<u>229,209</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 350,251</u></u>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Functional Expenses**  
Year Ended August 31, 2020

	<b>Member Programs</b>	<b>Publication of Journal</b>	<b>Conferences Competitions and Other</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 5,655	\$ 5,655
Committee	1,387	-	-	1,387	-	1,387
Membership expense	12,231	-	-	12,231	-	12,231
Competition	-	-	2,744	2,744	-	2,744
Conferences	-	-	7,389	7,389	-	7,389
Grants	19,200	-	-	19,200	-	19,200
Insurance	-	-	-	-	12,983	12,983
Office supplies	3,507	-	1,621	5,128	572	5,700
Postage & shipping	-	7,087	268	7,355	-	7,355
Professional fees	-	-	-	-	20,371	20,371
Publication printing	-	36,329	-	36,329	-	36,329
Miscellaneous	-	-	-	-	-	-
Travel	-	-	6,361	6,361	1,122	7,483
Wages & salaries	42,563	33,035	17,476	93,074	14,496	107,570
	<u>\$ 78,888</u>	<u>\$ 76,451</u>	<u>\$ 35,859</u>	<u>\$ 191,198</u>	<u>\$ 55,199</u>	<u>\$ 246,397</u>

## NOTE 1 NATURE OF ORGANIZATION

The mission of *The American Harp Society, Inc. (the Society)* is to celebrate our legacy, inspire excellence, and empower the next generation of harpists. A more detailed description of the purpose of *the Society* is cultivate, promote, foster, sponsor and develop among its members and the general public appreciation of the harp as a musical instrument, to develop and further the quality of the instrument itself and of its related components; to encourage composition of music for the harp; and to improve the quality of performances by harpists, which are accomplished through these programs:

### *Publication*

The American Harp Society, Inc. publishes the *American Harp Journal*. The mission of this publication is to produce a magazine for the membership containing articles and columns designed to inform members and to leave an accurate record of the activities of *the Society* and current issues on the harp world. This material may include biographies of major figures of the past and present, bibliographies, historical studies, listings of publications and recordings, articles of educational content for students and teachers, and articles concerning construction and maintenance of the harp.

### *Conferences*

*The Society* holds National Conferences on even-numbered years and a Student Summer Institute conference on odd-numbered years to inspire, invigorate, challenge, and refresh harpists as they aspire to reach their full potential, by presenting concerts, workshops, and recreational events that promote the mind- body-music connection, and encourage creativity and learning.

### *Education*

*The Society* has the Concert Artist and Winners Outreach Programs which helps with giving performance experience to American Harp Society National Competition prize winners. *The Society* also has the Harp Literature Committee which promotes new music for the harp and encourages the commissioning of new works. *The Society* also gives students invaluable experience in performance and critique through Music Education Auditions and the biannual National Competition.

### *Membership Groups*

*The Society* has 9 regions and over 80 local chapters. The chapters benefit members with local activities, and contribute to implementing *the Society's* mission across the country and abroad.

### *Foundation*

The *American Harp Foundation* (Foundation) was incorporated on July 15, 1993, as a separate supporting organization of *the Society*. The Foundation operates exclusively for the benefit of the *the Society*, with finances from individual donations. Funds received by the Foundation, help support scholarships, awards and prizes, educational funds, including the Grandjany Memorial Fund.

American Harp Society, Inc. was incorporated under the laws of New York in 1962. American Harp Society, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) of 1962, as amended, and is not considered a private foundation under Section 509(a)(2) of the Code. American Harp Society, Inc.'s support and revenue is primarily from the membership dues of individuals. American Harp Society, Inc.'s corporate headquarters is located in Bellingham, Massachusetts.

## **NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

*The Society* maintains its records on the cash basis, except for provision of depreciation on equipment and recording investments at fair value. Consequently, certain revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

### **Financial Statements Presentation**

*The Society* financial statements are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (FASB ASC) 958-605, *Accounting for Contributions Received and Contributions Made*, and FASB ASC 958-205, *Financial Statements of Not-for-Profit-Organizations*.

FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promise are received or made. FASB ASC 958-605 also requires *the Society* to distinguish between promises received for each net asset category in accordance with donor restrictions, if any.

Under FASB ASC 958-205, net assets and revenue, expenses, gains, and losses are classified as with or without donor restrictions based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the *Society* and changes therein are classified as follows:

### **Net Assets Without Donor Restrictions**

Net assets available for the support of *the Society's* operations. The net assets without donor restrictions may be used at the discretion of *the Society's* management and Board of Directors.

### **Net Assets With Donor Restrictions**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of *the Society* or the passage of time. Net assets subject to donor-imposed stipulations to be maintained permanently by *the Society*. In those situations, the donors permit *the Society* to use all or part of the earnings on related investments for the general or specific purposes.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by contract. Expirations of the temporary donor imposed or contractual restrictions on net assets are reported as reclassifications to net assets without donor restrictions in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Functional Allocation of Expenses**

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

### **Revenue and Support**

Contributions and dues collected are recorded when made, which may be when cash is received, unconditionally promised, or ownership of donated assets is transferred. American Harp Society, Inc. shows restricted contributions whose restrictions have been met in the same reporting period as unrestricted support. If the restrictions are not satisfied in the same reporting period, the contributions are recorded as net assets with donor restrictions. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from purpose restrictions.

## **NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, *the Society* considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents. These accounts at times exceed federally insured limits, however most of the cash and investments are held by Stifel, who is a member of the Securities Investor Protection Corporation (SIPC). Stifel has purchased additional cash coverage of up to \$900,000.

### **Investments**

Investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position - modified cash basis. Investments include mutual funds, stocks and certificates of deposits (with an original maturity greater than three months). Unrealized gains and losses are included in the change in net assets.

### **Property and Equipment**

Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of receipt. Depreciation is recorded using the straight-line method over the estimated useful lives of 3 - 7 years. At August 31, 2020, the Society has equipment of \$5,110 with accumulated depreciation of \$5,110.

### **Income Taxes**

*The Society* is exempt from federal and State income taxes as a Not-for-Profit organization under Internal Revenue Section 501 (c)(3). Income from activities not directly related to *the Society's* tax exempt purpose is subject to taxation as unrelated business income at statutory corporate tax rates. For the year ended August 31, 2020, *the Society* did not have any unrelated business income.

*The Society* has adopted the application of the uncertain tax positions provisions of FASB ASC 740, *Income Taxes*. It prescribes an evaluation process for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. The provisions have no impact on *the Society's* financial statements. As of August 31, 2020, *the Society* has accrued no interest and penalties related to uncertain tax positions. It is *the Society's* policy to recognize interest and penalties related to income tax matters as expense. In addition, *the Society* is no longer subject to examinations by tax authorities by U.S. federal income tax returns before fiscal year 2017.

### **COVID-19**

The COVID-19 global pandemic has prompted extraordinary action to curtail the spread of the virus. These actions have caused an increased volatility in the financial markets and an enormous impact on businesses in all sectors. The timeframe and outcome of these actions is highly unpredictable and, as such, the financial impact to the *Society*, if any, cannot be determined. The financial statements do not include any adjustments that might result from an outcome of this uncertainty.

### **Adoption of New FASB Accounting Standard**

FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during the year ended August 31, 2020. *The Society* has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any new or modified principles will have a material impact on the Foundation's reported financial position or operations in the near term.

In 2019, *the Society* adopted Financial Accounting Standards Board issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosure to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. *The Society* adopted ASC 606 and all related amendments using the full retrospective transition method. *The Society* concluded that the adoption of the new standard did not require an adjustment to the beginning net assets without donor restrictions.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In February 2016, the FASB issued Accounting Standards Updated 2016-02: Leases, which requires entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The new standard is effective for the year beginning after December 15, 2021. *The Society* is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**Subsequent Events**

*The Society* has evaluated subsequent events through the date of the independent auditor's report, the date which the accompanying financial statements were available to be issued. Based on such evaluation, other than the COVID-19 pandemic noted above, forgiveness of debt (see Note 6), no events have occurred that in the opinion of management warrant disclosure in or adjustment to the financial statements.

**NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

As of August 31, 2020, the following reflects the Society's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserves with one year of August 31, 2020:

Cash	\$	350,251
Investments		567,870
		<u>918,121</u>
	\$	<u>918,121</u>

As part of the Society's liquidity management, the Society's policy is to make financial assets available as expenses and other liabilities become due. The Society keeps assets invested in the related investment strategy until expenses or other liabilities become due. The Society uses checking and savings accounts to manage its daily cash needs.

**NOTE 4 INVESTMENTS - BOARD DESIGNATED ENDOWMENT**

As of August 31, 2020, the Board of Directors has designated \$343,782 of net assets without donor restrictions as an endowment for general operating reserves. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as Board Designated net assets. Board policy has been to add to the Board designated endowment \$10 per attendee of the conference held every other year, as well as one half of lifetime memberships in all years and Board reserves the right to add other funds to the account as deemed necessary.

*The Society* has a spending policy to hold the amount of one year's budget. The Board's investment strategy is to maintain the investment balance at one year's budget and adds aforementioned contributions in order to maintain the balance. Composition of and changes in endowment net assets for the year ended August 31, 2020, were as follows:

Board-designated endowment net assets - beginning of year	\$	293,432
Lifetime membership additions		1,250
Excess investment earnings		<u>(2,268)</u>
Board-designated endowment net assets - end of year	\$	<u>292,414</u>

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**NOTE 5 FAIR VALUE MEASUREMENT**

The summary of investments, by investment type, at August 31, 2020 is presented as follows:

	<u>2020</u>
<b>Equities</b>	\$ 21,734
<b>Corporate/government bonds</b>	
Government bonds	247,027
<b>Mutual Funds:</b>	
Large growth	124,790
Large value	52,977
Large blend	71,173
Medium blend	50,169
	<u>\$ 567,870</u>

The following schedule summarizes the net investment gain on investments for the year ended August 31, 2020:

<b>Investment Gain:</b>	
Dividends and interest	\$ 11,774
Net realized and unrealized (loss) on investments	43,674
Net investment income	<u>\$ 55,448</u>

*The Society* adopted FASB ASC 820, *Fair Value Measurements*, which establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. This hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Market price observability is impacted by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability. Assets and liabilities with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of assets and liabilities included in Level 1 includes listed equities and listed debt instruments and derivatives.

*Level 2* - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models and other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

*Level 3* - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market for the asset or liability. The inputs into determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Assets and liabilities that are included in this category generally include equity and debt positions in privately held entities.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. *The Society's* assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

**NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)**

Fair values of assets measured on a recurring basis at August 31, 2020 are as follows:

	<b>Quoted Prices (Level 1)</b>	<b>2020 Input Prices (Level 2)</b>	<b>Total</b>
<b>Investments</b>			
Corporate/government bonds:			
Corporate bonds	\$ -	\$ 21,734	\$ 21,734
Government bonds	-	247,027	247,027
Mutual funds:			
Large growth	124,790	-	124,790
Large value	52,977	-	52,977
Large blend	71,173	-	71,173
Medium blend	50,169	-	50,169
<b>Total investments</b>	<b>\$ 299,109</b>	<b>\$ 268,761</b>	<b>\$ 567,870</b>

**NOTE 6 LONG-TERM DEBT**

The Society has an unsecured note payable, guaranteed through the U.S. Small Business Administration through the Paycheck Protection Program (the "PPP"), which accrues interest at a fixed rate of interest of 1.00% and is eligible for loan forgiveness in accordance with the PPP. The Foundation is required to pay monthly payments of principal and interest, with any remaining principal and accrued interest due and payable upon maturity on May 1, 2022. There are no unamortized loan origination costs related to this note at August 31, 2020. The outstanding balance of this loan at August 31, 2020 was \$9,900, however, subsequent to year ending August 31, 2020, an amount of \$9,900 was forgiven. Because the loan was forgiven, the note payable is presented net of this forgiveness at August 31, 2020 in the accompanying balance sheet. Considering the required uses of these funds, the proceeds and forgiveness of this loan are presented in the accompanying statement of cash flows as operating activities.

**NOTE 7 NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions at August 31, 2020 are summarized as follows:

Undesignated	\$ 471,443
Board designated:	
Endowment account	292,414
	<u>\$ 763,857</u>

**Net Assets With Donor Restrictions**

Net assets with donor restrictions at August 31, 2020 are available for the following purposes:

Escosa Memorial	\$ 5,147
Grandjany Centennial	55,825
Lynne Palmer	3,991
Salzedo Centennial	22,791
Papalia Scholarship Award	50,350
	<u>\$ 138,104</u>