

# Financial Statements

August 31, 2019



AMERICAN  
HARP  
SOCIETY

*A tax-exempt non-profit corporation founded in 1962*

## **American Harp Society, Inc.** **(A Not-For-Profit Organization)**

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of American Harp Society, Inc. a not-for-profit organization (*the "Society"*), which comprise the statements of financial position as of August 31, 2019, and the related statements of activities, cash flows, and functional expenses 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 misstatements, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Harp Society, Inc. as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*MCDIRMIT DAVIS*

Orlando, Florida  
February 6, 2020

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Financial Position**  
August 31, 2019

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	<u>2019</u>
<b>Assets</b>	
Cash	\$ 229,209
Investments	<u>573,444</u>
<b>Total assets</b>	<u><u>\$ 802,653</u></u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Account payable	\$ 7,278
<b>Total liabilities</b>	<u>7,278</u>
Net Assets:	
Without donor restrictions:	
Board designated	\$ 293,432
Undesignated	416,160
With donor restrictions	<u>85,783</u>
<b>Total net assets</b>	<u>795,375</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 802,653</u></u>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Activities**  
Year Ended August 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues:</b>			
Membership dues	\$ 163,470	\$ -	\$ 163,470
Event income	49,731	-	49,731
Contributions	12,081	-	12,081
Publication income	24,995	-	24,995
Investment income	40,746	3,064	43,810
Other income	52	544	596
Net assets released from restrictions	1,520	(1,520)	-
<b>Total revenues</b>	<b>292,595</b>	<b>2,088</b>	<b>294,683</b>
<b>Expenses:</b>			
Program services:			
Member programs	76,824	-	76,824
Publication of Harp Journal	69,016	-	69,016
Conferences, competitions, and other	123,297	-	123,297
<b>Total program services</b>	<b>269,137</b>	<b>-</b>	<b>269,137</b>
<b>General and administrative</b>	<b>47,831</b>	<b>-</b>	<b>47,831</b>
<b>Total expenses</b>	<b>316,968</b>	<b>-</b>	<b>316,968</b>
<b>Change in net assets</b>	<b>(24,373)</b>	<b>2,088</b>	<b>(22,285)</b>
Net assets, beginning of year	733,965	83,695	817,660
<b>Net assets, end of year</b>	<b>\$ 709,592</b>	<b>\$ 85,783</b>	<b>\$ 795,375</b>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Cash Flows**  
Year Ended August 31, 2019

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	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>	
Membership dues	\$ 163,470
Publication income	24,995
Event income	49,731
Contributions	12,081
Other income	596
Investment income	57,060
Cash paid to employees and contractors	(104,507)
Cash paid to program suppliers	<u>(205,183)</u>
<b>Net cash used for operating activities</b>	<u>(1,757)</u>
 <b>Cash Flows from Investing Activities:</b>	
Sale of investments	<u>4,895</u>
<b>Net cash provided by investing activities</b>	<u>4,895</u>
<b>Net increase in cash and cash equivalents</b>	3,138
Cash and cash equivalents, beginning of year	<u>226,071</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 229,209</u></u>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Functional Expenses**  
Year Ended August 31, 2019

	Member Programs	Publication of Journal	Conferences Competitions and Other	Total Program Services	General and Administrative	Total Expenses
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 4,892	\$ 4,892
Committee	7,680	-	-	7,680	-	7,680
Membership expense	13,384	-	-	13,384	-	13,384
Competition	-	-	41,439	41,439	-	41,439
Conferences	-	-	45,072	45,072	-	45,072
Grants	15,090	-	-	15,090	-	15,090
Insurance	-	-	-	-	11,955	11,955
Office supplies	-	-	6,698	6,698	181	6,879
Postage & shipping	3,666	6,263	(128)	9,801	-	9,801
Professional fees	-	-	-	-	15,363	15,363
Publication printing	-	25,847	-	25,847	-	25,847
Telephone	-	-	-	-	-	-
Travel	-	-	12,800	12,800	2,259	15,059
Wages & salaries	37,004	36,906	17,416	91,326	13,181	104,507
	<u>\$ 76,824</u>	<u>\$ 69,016</u>	<u>\$ 123,297</u>	<u>\$ 269,137</u>	<u>\$ 47,831</u>	<u>\$ 316,968</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 New York, New York.

## **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.

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

### **Support and Revenue**

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.

### **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, 2019, 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, 2019, *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, 2019, *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 2016.

### **Change in Accounting Principle**

In 2019, *the Society* adopted Financial Accounting Standards Board Update 2016-04: "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements." This update primarily affects presentation of net assets subject to donor restrictions and simplifies statement of cash flows presentation. This update is effective for years beginning after December 15, 2017, with retrospective application to all periods presented. Beginning net assets balances were not changed as a result of adopting this standard.

### **Subsequent Events**

*The Society* assessed subsequent events through the date of the independent auditor's report, the date these financial statements were available to be issued. Based on such evaluation, no events have occurred that in the opinion of management warrant disclosure in or adjustment to the financial statements.

**NOTE 3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at August 31, 2019, consists of the following:

Cash in bank - checking	\$ 78,959
Money market - board designated	150,250
	<u>229,209</u>
	<u>\$ 229,209</u>

**NOTE 4 INVESTMENTS - BOARD DESIGNATED ENDOWMENT**

As of August 31, 2019, the Board of Directors has designated \$293,432 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, 2019, were as follows:

Board-designated endowment net assets - beginning of year	\$ 307,566
Lifetime membership additions	625
Excess investment earnings	(14,759)
	<u>293,432</u>
Board-designated endowment net assets - end of year	<u>\$ 293,432</u>

**NOTE 5 FAIR VALUE MEASUREMENT**

The summary of investments, by investment type, at August 31, 2019 is presented as follows:

	<u>2019</u>
Equities	\$ 21,172
Corporate/government bonds	
Government bonds	288,022
Mutual Funds:	
Large growth	102,972
Large value	50,646
Large blend	65,064
Medium blend	45,568
	<u>573,444</u>
	<u>\$ 573,444</u>

## NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

The following schedule summarizes the net investment gain on investments for the year ended August 31, 2019:

**Investment Gain:**

Dividends and interest	\$ 16,612
Net realized and unrealized (loss) on investments	<u>27,198</u>
Net investment loss	<u>\$ 43,810</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, 2019 are as follows:

	2019		Total
	Quoted Prices (Level 1)	Input Prices (Level 2)	
<b>Investments</b>			
Corporate/government bonds:			
Corporate bonds	\$ -	\$ 21,172	\$ 21,172
Government bonds	-	288,022	288,022
Mutual funds:			
Large growth	102,972	-	102,972
Large value	50,646	-	50,646
Large blend	65,064	-	65,064
Medium blend	45,568	-	45,568
<b>Total investments</b>	<u>\$ 264,250</u>	<u>\$ 309,194</u>	<u>\$ 573,444</u>

**NOTE 6 NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions at August 31, 2019 are summarized as follows:

Undesignated	\$ 416,160
Board designated:	
Endowment account	293,432
	<u>\$ 709,592</u>

**Net Assets With Donor Restrictions**

Net assets with donor restrictions at August 31, 2019 are available for the following purposes:

Escosa Memorial	\$ 4,885
Grandjany Centennial	54,908
Lynne Palmer	3,927
Salzedo Centennial	22,063
	<u>\$ 85,783</u>

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purpose or by the occurrence of events as specified by the donors. Net assets were released from restrictions during the year ended December 31, 2018 for the following purposes:

Escosa Memorial	\$ 400
Lynne Palmer	1,120
	<u>\$ 1,520</u>