

Financial Statements

Year Ended June 30, 2022

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

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

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

Management is responsible for the accompanying financial statements of American Harp Society, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

McDermitt Davis

Orlando, Florida

January 11, 2023

American Harp Society, Inc.
(A Not-For-Profit Organization)
Statement of Financial Position
June 30, 2022

	<u>2022</u>
Assets	
Cash	\$ 336,218
Investments	412,141
Total assets	<u>\$ 748,359</u>
Liabilities and Net Assets	
Liabilities:	
Account payable and accrued liabilities	\$ 13,149
Total liabilities	<u>13,149</u>
Net Assets:	
Without donor restrictions:	
Funds functioning as endowment	\$ 301,892
Undesignated (cash reserve)	255,991
With donor restrictions:	177,327
Total net assets	<u>735,210</u>
Total liabilities and net assets	<u>\$ 748,359</u>

American Harp Society, Inc.
(A Not-For-Profit Organization)
Statement of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Membership dues	\$ 173,786	\$ -	\$ 173,786
Event income	87,778	-	87,778
Contributions	13,644	-	13,644
Publication income	22,621	-	22,621
Investment income	(67,290)	115	(67,175)
Other income	3,474	379	3,853
Net assets released from restrictions	3,263	(3,263)	-
Total revenues	237,276	(2,769)	234,507
Expenses:			
Program services:			
Member programs	99,215	-	99,215
Publication of Harp Journal	64,612	-	64,612
Conferences, competitions, and other	173,247	-	173,247
Total program services	337,074	-	337,074
General and Administrative	68,222	-	68,222
Total expenses	405,296	-	405,296
Change in net assets	(168,020)	(2,769)	(170,789)
Net assets, beginning of year	725,903	180,096	905,999
Net assets, end of year	\$ 557,883	\$ 177,327	\$ 735,210

American Harp Society, Inc.
(A Not-For-Profit Organization)
Statement of Cash Flows
Year Ended June 30, 2022

	<u>2022</u>
Cash Flows from Operating Activities:	
Membership dues	\$ 173,786
Publication income	22,621
Event income	87,778
Contributions	13,644
Other income	3,853
Investment income	10,904
Cash paid to employees and contractors	(114,819)
Cash paid to program suppliers	<u>(278,029)</u>
Net cash used for operating activities	<u>(80,262)</u>
Cash Flows from Investing Activities:	
Sale of investments	\$ 688,672
Purchase of investments	<u>(672,328)</u>
Net cash provided by investing activities	<u>16,344</u>
Net decrease in cash and cash equivalents	(63,918)
Cash and cash equivalents, beginning of year	<u>400,136</u>
Cash and cash equivalents, end of year	<u><u>\$ 336,218</u></u>

American Harp Society, Inc.
(A Not-For-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2022

	Member Programs	Publication of Journal	Conferences Competitions and Other	Total Program Services	General and Administrative	Total Expenses
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 12,068	\$ 12,068
Committee	5,736	-	-	5,736	-	5,736
Membership expense	16,695	-	-	16,695	-	16,695
Competition	-	-	2,680	2,680	-	2,680
Conferences	-	-	133,809	133,809	-	133,809
Grants	30,775	-	-	30,775	-	30,775
Insurance	-	-	-	-	763	763
Office supplies	740	-	5,463	6,203	4,402	10,605
Postage & shipping	-	9,279	2,321	11,600	-	11,600
Professional fees	-	-	-	-	31,966	31,966
Publication printing	-	19,295	-	19,295	-	19,295
Miscellaneous	-	-	-	-	3,186	3,186
Travel	-	-	9,604	9,604	1,695	11,299
Wages & salaries	45,269	36,038	19,370	100,677	14,142	114,819
	<u>\$ 99,215</u>	<u>\$ 64,612</u>	<u>\$ 173,247</u>	<u>\$ 337,074</u>	<u>\$ 68,222</u>	<u>\$ 405,296</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 of 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 Summer Institute 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 provide performance experience to American Harp Society National Competition prize winners. *The Society* also has the Grants Program 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 70 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 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*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and benefits, and certain travel costs which are allocated on the basis of time and effort.

Revenue Recognition

The Society recognizes voluntary contributions made by corporations and individuals which are classified as either with or without donor restrictions. Contributions may be in the form of cash or noncash, such as tangible property or services. A contribution is recognized at its fair market value in the period it was received and/or unconditionally given. Donor imposed restrictions do not affect the timing or value of the recognition.

Exchange transactions are reciprocal transactions in which the Society receives assets and provides goods or services, such as dues, attendance to conferences or other events. Revenues from exchange transactions are recognized at a point in time when the goods or services are provided, the point in which the performance obligation is satisfied.

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

The Society has adopted FASB ASC 925-320, *Investments- Debt and Equity Securities* and carries investments in equity securities with readily determinable fair values and all investment in debt securities at fair market value. Investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. The amounts are reported as an increase in net assets without donor restrictions unless otherwise restricted by the donor. Realized and unrealized gains and losses on investments are classified and recorded as increases or decreases in net assets without donor restrictions, unless otherwise restricted by the donor. Investments are made in accordance with an investment policy approved by the Board of Directors.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could be materially different from the amounts reported.

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 June 30, 2022, 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). Accordingly, no provision for income taxes has been recorded in the financial statements. 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 June 30, 2022, *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 June 30, 2022, *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 2018.

Risks and Uncertainties

The Society continually evaluates various risks, including changes in the economy, supply chain disruptions, labor shortages, and the COVID-19 global pandemic, and has concluded that while it is reasonably possible that the Society could experience a negative financial effect, no specific impact is readily determinable as of the date of the financial statements nor as of the date they were available to be issued. The financial statements do not include any adjustments that might result from an outcome of any uncertainty.

New Accounting Pronouncements

FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2022. *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 Society's reported financial position or operations in the near term.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Evaluation of 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, 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 June 30, 2022, 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 cash reserves within one year of June 30, 2022:

Cash	\$ 336,218
Investments	412,141
	<u>748,359</u>
Less: Donor-imposed restricted	(177,327)
Less: Funds functioning as endowment	(301,892)
	<u><u>\$ 269,140</u></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 - FUNDS FUNCTIONING AS ENDOWMENT

As of June 30, 2022, the Board of Directors has designated \$299,132 of net assets without donor restrictions as an endowment for general cash 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 June 30, 2022, were as follows:

Funds functioning as endowment net assets - beginning of year	\$ 294,227
Lifetime membership additions	4,905
Conference income additions	2,760
	<u>301,892</u>
Funds functioning as endowment net assets - end of year	<u><u>\$ 301,892</u></u>

NOTE 5 FAIR VALUE MEASUREMENT

The summary of investments, by investment type, at June 30, 2022 is presented as follows:

Equities	\$ 230,208
Fixed Income	133,372
Mutual Funds	48,561
	<u>412,141</u>
	<u><u>\$ 412,141</u></u>

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

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 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.

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.

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	Quoted Prices (Level 1)	Input Prices (Level 2)	Total
Investments			
Equities	\$ 230,208	\$ -	\$ 230,208
Fixed Income	103,979	29,393	133,372
Mutual funds	48,561	-	48,561
Total investments	\$ 382,748	\$ 29,393	\$ 412,141

NOTE 6 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2022 are summarized as follows:

Undesignated (cash reserve)	\$ 255,991
Board designated:	
Funds functioning as endowment	<u> 301,892</u>
	<u><u>\$ 557,883</u></u>

Net Assets Released from Restrictions

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 for the following purposes:

Papaila Scholarship	\$ 2,000
Salzedo Centennial	<u> 1,263</u>
	<u><u>\$ 3,263</u></u>

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 are available for the following purposes:

Escosa Memorial	\$ 5,633
Grandjany Centennial	55,676
Lynne Palmer	3,981
Salzedo Centennial	21,911
Papaila Scholarship Award	<u> 90,126</u>
	<u><u>\$ 177,327</u></u>