

# **Financial Statements**

**Year Ended June 30, 2023**

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

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
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934 North Magnolia Avenue, Suite 100  
Orlando, Florida 32803  
407-843-5406  
[www.mcdermittdavis.com](http://www.mcdermittdavis.com)

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Board of Directors  
*American Harp Society, Inc.*  
Granby, 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 - modified cash basis as of June 30, 2023, and the related statements of activities - modified cash basis, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. 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.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

*McDermitt Davis*

Orlando, Florida  
July 29, 2024

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Financial Position - Modified Cash Basis**  
June 30, 2023

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	<u>2023</u>
<b>Assets</b>	
Cash	\$ 75,129
Investments	<u>576,647</u>
<b>Total assets</b>	<u>\$ 651,776</u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Account payable and accrued liabilities	<u>\$ 25,965</u>
<b>Total liabilities</b>	<u>25,965</u>
Net Assets:	
Without donor restrictions:	
Funds functioning as endowment	\$ 307,507
Undesignated (cash reserve)	136,399
With donor restrictions	<u>181,905</u>
<b>Total net assets</b>	<u>625,811</u>
<b>Total liabilities and net assets</b>	<u>\$ 651,776</u>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Activities - Modified Cash Basis**  
Year Ended June 30, 2023

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>			
Membership dues	\$ 131,734	\$ -	\$ 131,734
Event income	46,223	-	46,223
Contributions	14,080	4,000	18,080
Publication income	14,014	-	14,014
Investment income	32,768	8,954	41,722
Other income	2,169	612	2,781
Net assets released from restrictions	8,988	(8,988)	-
<b>Total revenues</b>	<b>249,976</b>	<b>4,578</b>	<b>254,554</b>
<b>Expenses:</b>			
Program services:			
Member programs	76,866	-	76,866
Publication of Harp Journal	50,250	-	50,250
Conferences, competitions, and other	152,138	-	152,138
<b>Total program services</b>	<b>279,254</b>	<b>-</b>	<b>279,254</b>
<b>General and Administrative</b>	<b>84,699</b>	<b>-</b>	<b>84,699</b>
<b>Total expenses</b>	<b>363,953</b>	<b>-</b>	<b>363,953</b>
<b>Change in net assets</b>	<b>(113,977)</b>	<b>4,578</b>	<b>(109,399)</b>
Net assets, beginning of year	557,883	177,327	735,210
<b>Net assets, end of year</b>	<b>\$ 443,906</b>	<b>\$ 181,905</b>	<b>\$ 625,811</b>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Cash Flows - Modified Cash Basis**  
Year Ended June 30, 2023

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	<u>2023</u>
<b>Cash Flows from Operating Activities:</b>	
Membership dues	\$ 131,734
Publication income	14,014
Event income	46,223
Contributions	18,080
Other income	2,781
Investment income	15,013
Cash paid to employees and contractors	(107,645)
Cash paid to program suppliers	<u>(243,492)</u>
<b>Net cash used for operating activities</b>	<u>(123,292)</u>
<b>Cash Flows from Investing Activities:</b>	
Sale of investments	\$ 187,149
Purchase of investments	<u>(324,946)</u>
<b>Net cash used for investing activities</b>	<u>(137,797)</u>
<b>Net decrease in cash and cash equivalents</b>	(261,089)
Cash and cash equivalents, beginning of year	<u>336,218</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 75,129</u></u>

American Harp Society, Inc.  
(A Not-For-Profit Organization)  
**Statement of Functional Expenses - Modified Cash Basis**  
Year Ended June 30, 2023

	Member Programs	Publication of Journal	Conferences Competitions and Other	Total Program Services	General and Administrative	Total Expenses
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ 9,192	\$ 9,192
Committee	5,000	-	725	5,725	-	5,725
Membership expense	8,260	-	-	8,260	-	8,260
Competition	-	-	42,569	42,569	-	42,569
Conferences	-	-	71,723	71,723	-	71,723
Grants	17,700	-	-	17,700	-	17,700
Insurance	-	-	-	-	32,247	32,247
Office supplies	-	-	3,004	3,004	4,561	7,565
Postage & shipping	-	5,022	948	5,970	-	5,970
Professional fees	-	-	-	-	17,245	17,245
Publication printing	-	17,142	-	17,142	-	17,142
Miscellaneous	-	-	-	-	4,736	4,736
Travel	-	-	13,799	13,799	2,435	16,234
Wages & salaries	45,906	28,086	19,370	93,362	14,283	107,645
	<u>\$ 76,866</u>	<u>\$ 50,250</u>	<u>\$ 152,138</u>	<u>\$ 279,254</u>	<u>\$ 84,699</u>	<u>\$ 363,953</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:

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 Granby, Massachusetts.

### *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 Society Foundation* (Foundation) was incorporated on July 15, 1993, as a separate supporting organization of *the Society*. The Foundation operated 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. On May 16, 2023, the IRS agreed to the Foundation's request to reclassify the organization as a public charity under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). It is no longer a Type III Functionally integrated Supporting Organization for the American Harp Society, and has removed the word "Society" from its name. Statements by the Foundation's counsel and accountant indicated that the funds raised prior to that date would continue to be reserved to serve the mission of the American Harp Society.

## **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.

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

### **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. 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.

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

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.

### **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, 2023, 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, 2023, *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, 2023, *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 2019.

### **Risks and Uncertainties**

The Society is continually evaluating various risks, including changes in the economy, supply chain disruptions, labor shortages, and global economic pressures, 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, 2023. *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.

**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.

**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, 2023, 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, 2023:

Cash	\$ 75,129
Investments	576,647
	<hr/>
	651,776
Less: Donor-imposed restricted	(181,905)
Less: Funds functioning as endowment	(307,507)
	<hr/>
	<u>\$ 162,364</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, 2023, the Board of Directors has designated \$307,507 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, 2023, were as follows:

Funds functioning as endowment net assets - beginning of year	\$ 301,892
Lifetime membership additions	3,125
Conference income additions	2,490
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Funds functioning as endowment net assets - end of year	<u>\$ 307,507</u>

**NOTE 5 FAIR VALUE MEASUREMENT**

The summary of investments, by investment type, at June 30, 2023 is presented as follows:

Equities	\$	257,792
Fixed Income		270,391
Mutual Funds		48,464
	\$	<u>576,647</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 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, 2023 are as follows:

	Quoted Prices (Level 1)	Input Prices (Level 2)	Total
<b>Investments</b>			
Equities	\$ 257,792	\$ -	\$ 257,792
Fixed Income	244,342	26,049	270,391
Mutual funds	48,464	-	48,464
<b>Total investments</b>	<u>\$ 550,598</u>	<u>\$ 26,049</u>	<u>\$ 576,647</u>

**NOTE 6            NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions at June 30, 2023 are summarized as follows:

Undesignated (cash reserve)	\$            136,399
Board designated:	
Funds functioning as endowment	<u>307,507</u>
	<u><u>\$            443,906</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
Grandjany Centennial	<u>6,988</u>
	<u><u>\$            8,988</u></u>

**Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2023 are available for the following purposes:

Escosa Memorial	\$            6,405
Grandjany Centennial	54,154
Lynne Palmer	4,359
Salzedo Centennial	24,195
Papaila Scholarship Award	<u>92,792</u>
	<u><u>\$            181,905</u></u>