

AMERICAN HARP SOCIETY, INC.

Financial Statements

June 30, 2024

(With Independent Auditors' Report Thereon)

AMERICAN HARP SOCIETY, INC.

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Independent Auditors' Report

The Board of Directors
American Harp Society, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of American Harp Society, Inc. (AHS or the Organization), which comprise the statement of financial position as of June 30, 2024, 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 our opinion, the financial statements present fairly, in all material respects, the financial position of American Harp Society, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FONTANA CPAs

A handwritten signature in black ink that reads "Fontana CPAs". The signature is written in a cursive, flowing style.

May 8, 2025

AMERICAN HARP SOCIETY, INC.

Statement of Financial Position

June 30, 2024

Assets

Cash and cash equivalents	\$	165,413
Investments		522,976
Prepaid assets		<u>5,225</u>
Total assets	\$	<u><u>693,614</u></u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$	<u>53,267</u>
Total liabilities		<u>53,267</u>
Net assets:		
Without donor restrictions:		
Board designated		309,125
Undesignated		<u>137,356</u>
Total without donor restrictions		<u>446,481</u>
With donor restrictions		<u>193,866</u>
		<u>640,347</u>
Total liabilities and net assets	\$	<u><u>693,614</u></u>

See accompanying notes to financial statements.

AMERICAN HARP SOCIETY, INC.

Statement of Activities

Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue and other support:			
Membership dues	\$ 152,935	\$ —	\$ 152,935
Event income	78,904	—	78,904
Contributions	24,125	—	24,125
Publication income	14,084	—	14,084
Investment income	51,573	9,769	61,342
Other income	667	192	859
Net assets released from restrictions	—	—	—
Total revenue and other support	322,288	9,961	332,249
Expenses:			
Program services			
Member programs	51,225	—	51,225
Publication of Journal	45,445	—	45,445
Conferences, competitions, and other	156,388	—	156,388
Total program services	253,058	—	253,058
General and Administrative	81,160	—	81,160
Total expenses	334,218	—	334,218
Change in net assets	(11,930)	9,961	(1,969)
Net assets at beginning of year	458,411	183,905	642,316
Net assets at end of year	\$ 446,481	\$ 193,866	\$ 640,347

See accompanying notes to financial statements.

AMERICAN HARP SOCIETY, INC.

Statement of Functional Expenses

Year ended June 30, 2024

	Program Services				Support Services		Total expenses
	Member Programs	Publication of Journal	Conferences and Competitions and Other	Total	General and Administrative	Total	
Salaries and benefits	\$ 23,073	\$ —	30,764	\$ 53,837	\$ 23,073	\$ 23,073	\$ 76,910
Total salaries and benefits	23,073	—	30,764	53,837	23,073	23,073	76,910
Bank charges	—	—	—	—	9,008	9,008	9,008
Committee	648	—	—	648	—	—	648
Competition	—	—	5,689	5,689	—	—	5,689
Conferences	—	—	106,847	106,847	—	—	106,847
Contract labor	—	22,350	—	22,350	16,788	16,788	39,138
Fundraising	—	—	—	—	889	889	889
Grants	16,800	—	—	16,800	—	—	16,800
Insurance	—	—	—	—	16,505	16,505	16,505
Membership expense	10,704	—	—	10,704	—	—	10,704
Miscellaneous	—	—	—	—	1,493	1,493	1,493
Office supplies	—	—	—	—	64	64	64
Postage & shipping	—	4,443	—	4,443	371	371	4,814
Professional fees	—	—	—	—	11,718	11,718	11,718
Publication printing	—	18,652	—	18,652	—	—	18,652
Travel	—	—	13,088	13,088	1,251	1,251	14,339
Total expenses before depreciation	51,225	45,445	156,388	253,058	81,160	81,160	334,218
Depreciation	—	—	—	—	—	—	—
Total expenses	\$ 51,225	\$ 45,445	\$ 156,388	\$ 253,058	\$ 81,160	\$ 81,160	\$ 334,218

See accompanying notes to financial statements.

AMERICAN HARP SOCIETY, INC.

Statement of Cash Flows

Year ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (1,969)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gains on investments	(43,938)
Changes in assets and liabilities:	
Prepaid assets	11,280
Accounts payable and accrued liabilities	27,302
Net cash provided by operating activities	<u>(7,325)</u>
Cash flows from investing activities:	
Sale of investments	212,619
Purchase of investments	<u>(115,010)</u>
Net cash provided by investing activities	<u>97,609</u>
Net change in cash and cash equivalents	90,284
Cash and cash equivalents at beginning of year	<u>75,129</u>
Cash and cash equivalents at end of year	<u>\$ 165,413</u>

See accompanying notes to financial statements.

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(1) Summary of Significant Accounting Policies

(a) *Nature of Operations*

American Harp Society (the Organization) is a not-for-profit organization based in Granby, Massachusetts. The mission of the Organization is to celebrate their legacy, inspire excellence, and empower the next generation of harpists. The purpose of the Organization is to 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.

(b) *Basis of Accounting*

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets and revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restriction – Net assets not subject to donor-imposed stipulations.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Revenue recognition – Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions class.

(c) *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at time of purchase and certificates of deposit to be cash equivalents and are summarized as such. 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.

(d) *Fair Value of Financial Instruments*

FASB Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(d) Fair Value of Financial Instruments (continued)

ASC 820 *Fair Value Measurements and Disclosures* establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2024.

(e) Property, Plant and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of receipt. Donated assets are recorded at fair market value at the time of donation. Depreciation is calculated on a straight-line method over the estimated useful lives of the assets. Depreciation is expensed on a straight-line basis over three years to forty years. Acquisitions of property and equipment in excess of \$500 are capitalized. When an asset is retired or sold, its cost and related depreciation reserve are removed from the accounts.

The difference between the cost in excess of the accumulated depreciation and the proceeds from disposition is reflected in earnings. Maintenance and repairs are expensed as incurred. Expenditures which extend the useful lives or improve existing property, plant and equipment are capitalized.

(f) Functional Allocation of Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of estimates made by the Organization's management.

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(g) *Income Taxes*

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization files a Form 990 when applicable for any unrelated business income and allocates the appropriate expenses. For the year ended June 30, 2024 no income taxes were payable. Management is not aware of any activities that would jeopardize the Organization's tax-exempt status.

(h) *In-Kind Contributions*

The Organization receives donations of services and materials for use in its programs. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Materials and services donated to the Organization are recorded as revenue and expense at fair market value on the date received.

(i) *Deferred Revenues*

Revenues collected may be received in advance of services performed. Deferred amounts are recognized as revenues in the accounting period in which the revenue is earned.

(j) *Statement of Cash Flows*

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of six months or less at the time of purchase to be cash equivalents and are summarized as such.

(k) *Use of Estimates*

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) *New Accounting Pronouncement*

Effective July 1, 2023 the Organization adopted FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modified the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial Statements.

(3) *Liquidity and Availability of Financial Assets*

The following represents the Organization's financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions with-in one year of the statement of financial position date.

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(3) Liquidity and Availability of Financial Assets (continued)

Cash and cash equivalents	\$	165,413
Investments		<u>522,976</u>
Total Liquid Financial assets, at year-end	\$	<u>688,389</u>
Less those unavailable for general expenditures within one year, due to:		
Board designated		(309,125)
Donor-imposed restricted		<u>(193,866)</u>
Total amounts unavailable for general expenditures within one year	\$	<u>(502,991)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>185,398</u></u>

The financial assets available to meet cash needs for general expenditures in the amount of \$185,398 represents approximately 200 days of operating expenses. The Organization's goal is to maintain financial assets to meet at least 90 days of operating expenses.

(4) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and benefits	Time and effort
Contract labor	Managements estimate of benefit derived
Postage & shipping	Managements estimate of benefit derived
Travel	Managements estimate of benefit derived

(5) Investments

The Organization's investments are recorded based on fair value. The following is a schedule of the fair value of investments held at June 30, 2024:

	<u>Amount</u>	<u>% of Investments</u>
Equities	\$ 243,605	47%
Fixed income	230,300	44%
Mutual funds	<u>49,071</u>	<u>9%</u>
	<u><u>\$ 522,976</u></u>	<u><u>100%</u></u>

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(5) Investments (continued)

The following are the components of the investment income for the year ended June 30, 2024:

Realized and unrealized gains	\$	43,938	
Interest and dividends		20,726	
Investment expenses		(3,322)	
		61,342	
	\$	61,342	

(6) Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis were measured using ASC 820 input guidance and valuation techniques as follows:

Fair Value Measurements at Reporting Date Using

		Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Total Fair Value
	\$		\$		\$	
Equities	\$	243,605	\$	—	\$	243,605
Fixed income		204,236		26,064		230,300
Mutual funds		49,071		—		49,071
Total assets at fair value	\$	496,912	\$	26,064	\$	522,976

(7) Endowment Funds

FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, as amended, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC Subtopic 958-205 also requires enhanced disclosures about an organization’s endowment funds, whether or not the organization is subject to an enacted version of UPMIFA. These disclosures shall enable users of the financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds (both donor restricted and board designated). The Organization follows the requirements of FASB ASC Subtopic 958-205.

The Organization’s endowment consists of marketable securities, fixed Income securities, and mutual funds. The endowment consists of both donor-restricted funds, as well as funds designated by the Board of Trustees to function as endowments.

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(7) Endowment Funds (continued)

The Board has interpreted the wishes of donors requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. Funds designated by the Board as endowment funds are included as unrestricted endowment funds.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Financial Investment and Advisory Committee and the Executive Committee of the Board, for endowment assets that attempt to provide a predictable stream of funding to support the Organization. Accordingly, the investment process seeks to preserve and protect fund principal, generate income to fulfill purposes of the endowment funds, allow for maximum growth within the confines of a moderate risk profile.

Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed-income securities that is intended to result in a rate of return that has sufficient liquidity to provide a high level of cash distribution, while growing the funds, if possible.

Spending Policy

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 policy also calls for the first 3% of investment return to be added to the fund. The Organization has a spending policy for the funds designated by the Board as endowments funds 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.

Donor restricted endowment funds investment and spending policies follow the donor stipulations. The endowment agreement allows for the use of 4% of return on investment to award scholarships as long as the principal investment remains untouched.

Endowment asset composition by type of fund, as of June 30, 2024 is as follows:

	Without donor restrictions	With donor restrictions	Total endowment assets
Board-designated endowment funds	\$ 309,125	\$ —	\$ 309,125
Donor-restricted endowment funds	—	96,435	96,435
	\$ 309,125	\$ 96,435	\$ 405,560

AMERICAN HARP SOCIETY, INC.

Notes to Financial Statements

June 30, 2024

(7) Endowment Funds (continued)

Changes in endowment assets for the years ended June 30, 2024 are as follows:

		Without donor restrictions	With donor restrictions	Total endowment assets
Balance, beginning of year	\$	307,507	\$ 90,792	\$ 398,299
Investment income		1,618	5,643	7,261
Additions		—	—	—
Reclassifications		—	—	—
Withdrawals		—	—	—
Balance, end of year	\$	309,125	\$ 96,435	\$ 405,560

(8) Net Assets with Donor Restrictions

Temporary restrictions on net assets as of June 30, 2024 consist of contributions restricted by donors for the following:

Escosa Memorial		\$ 6,833
Grandjany Centennial		56,662
Lynne Palmer		4,561
Salzedo Centennial		25,375
Papalia Scholarship		4,000
Papalia Scholarship endowment		96,435
		<u>\$ 193,866</u>

(9) Subsequent Events

Management has evaluated subsequent events through May 8, 2025, the date which the financial statements were available for issue and has concluded that there are no subsequent events requiring disclosure.