



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Music Teachers National Association, Inc. and Subsidiary

Consolidated Financial Statements

And Supplemental Financial Information

June 30, 2022 and 2021

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Music Teachers National Association, Inc. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Music Teachers National Association, Inc. and Subsidiary (a not-for-profit association) which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Music Teachers National Association, Inc. and Subsidiary as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Music Teachers National Association, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Music Teachers National Association, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Music Teachers National Association, Inc. and Subsidiary'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 audits.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 18-21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
August 23, 2022

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 2,442,740	2,616,576
Investments, at fair value	3,798,967	4,260,838
Accounts receivable	18,910	28,530
Prepaid expenses	52,858	62,231
Property and equipment, net	71,230	81,828
Deposits	<u>143,311</u>	<u>12,703</u>
Total assets	\$ <u>6,528,016</u>	<u>7,062,706</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 55,931	17,839
Accrued expenses	113,899	110,125
Deferred revenue	<u>943,184</u>	<u>855,657</u>
Total liabilities	<u>1,113,014</u>	<u>983,621</u>
Net assets:		
Without donor restrictions	4,302,224	4,889,353
With donor restrictions	<u>1,112,778</u>	<u>1,189,732</u>
Total net assets	<u>5,415,002</u>	<u>6,079,085</u>
Total liabilities and net assets	\$ <u>6,528,016</u>	<u>7,062,706</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Dono	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Revenues:						
Membership dues	\$ 1,271,221	-	1,271,221	1,247,456	-	1,247,456
Subscription and advertising	132,420	-	132,420	111,234	-	111,234
Conferences	237,065	-	237,065	322,127	-	322,127
Competitions	122,928	-	122,928	144,680	-	144,680
Contributions	176,403	56,319	232,722	144,406	267,441	411,847
Other	146,514	-	146,514	167,539	-	167,539
Investment return, net	(400,265)	(133,273)	(533,538)	553,871	211,830	765,701
Net assets released from restrictions	-	-	-	159,370	(159,370)	-
	<u>1,686,286</u>	<u>(76,954)</u>	<u>1,609,332</u>	<u>2,850,683</u>	<u>319,901</u>	<u>3,170,584</u>
Expenses:						
Program	1,925,214	-	1,925,214	1,502,205	-	1,502,205
Management and general	274,477	-	274,477	286,947	-	286,947
Fundraising	73,724	-	73,724	72,736	-	72,736
	<u>2,273,415</u>	<u>-</u>	<u>2,273,415</u>	<u>1,861,888</u>	<u>-</u>	<u>1,861,888</u>
Change in net assets	(587,129)	(76,954)	(664,083)	988,795	319,901	1,308,696
Net assets:						
Beginning of year	<u>4,889,353</u>	<u>1,189,732</u>	<u>6,079,085</u>	<u>3,900,558</u>	<u>869,831</u>	<u>4,770,389</u>
End of year	<u>\$ 4,302,224</u>	<u>1,112,778</u>	<u>5,415,002</u>	<u>4,889,353</u>	<u>1,189,732</u>	<u>6,079,085</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 537,453	143,321	35,830	716,604
Payroll taxes	36,239	9,664	2,416	48,319
Employee benefits	56,651	15,107	3,777	75,535
Rent and utilities	76,344	20,358	5,090	101,792
Travel and entertainment	9,425	2,514	628	12,567
Newsletters and mailings	61,267	-	-	61,267
Membership retention	10,485	-	-	10,485
Insurance	15,707	9,163	1,309	26,179
Office supplies and postage	6,749	1,800	450	8,999
Professional fees	28,991	16,912	2,416	48,319
Bank charges	65,587	17,490	4,372	87,449
Depreciation	11,183	2,981	746	14,910
Readership	150,062	-	7,898	157,960
Conferences	59,832	-	-	59,832
Conference cancellation fee	326,323	-	-	326,323
Competitions	89,231	-	-	89,231
Grants and awards	226,733	-	-	226,733
Licenses and fees	6,152	1,640	410	8,202
Technology	99,872	26,633	6,658	133,163
Leadership summit	1,250	-	-	1,250
Partnership development	23,825	-	-	23,825
Other	25,853	6,894	1,724	34,471
	<u>1,925,214</u>	<u>274,477</u>	<u>73,724</u>	<u>2,273,415</u>
Total expenses	\$ <u>1,925,214</u>	<u>274,477</u>	<u>73,724</u>	<u>2,273,415</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 506,321	135,019	33,755	675,095
Payroll taxes	35,822	9,553	2,388	47,763
Employee benefits	59,442	15,851	3,963	79,256
Rent and utilities	77,487	20,663	5,166	103,316
Travel and entertainment	1,618	431	108	2,157
Newsletters and mailings	33,737	-	-	33,737
Membership retention	9,218	-	-	9,218
Insurance	18,949	11,054	1,579	31,582
Office supplies and postage	6,950	1,853	463	9,266
Professional fees	39,025	22,765	3,252	65,042
Bank charges	69,596	18,558	4,640	92,794
Depreciation	11,731	3,129	782	15,642
Readership	143,534	-	7,554	151,088
Conferences	56,486	-	-	56,486
Competitions	95,606	-	-	95,606
Grants and awards	198,672	-	-	198,672
Licenses and fees	6,756	1,802	450	9,008
Technology	88,830	38,540	6,704	134,074
Leadership summit	66	-	-	66
Partnership development	13,373	-	-	13,373
Other	28,986	7,729	1,932	38,647
	<u>28,986</u>	<u>7,729</u>	<u>1,932</u>	<u>38,647</u>
 Total expenses	 \$ <u>1,502,205</u>	 <u>286,947</u>	 <u>72,736</u>	 <u>1,861,888</u>

See accompanying notes to the consolidated financial statements.

Music Teachers National Association, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (664,083)	1,308,696
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,910	15,642
Realized and unrealized (gain) loss on investments	714,405	(665,998)
Effect of change in operating assets and liabilities:		
Accounts receivable	9,620	166,404
Prepaid expenses and deposits	(121,235)	5,986
Accounts payable	38,092	(144,178)
Due to state and local affiliates	-	(235,728)
Accrued expenses	3,774	(9,648)
Deferred revenue	<u>87,527</u>	<u>137,796</u>
Net cash provided by operating activities	<u>83,010</u>	<u>578,972</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,312)	(70,751)
Proceeds received from sale of investments	1,096,010	822,645
Purchases of investments	<u>(1,348,544)</u>	<u>(972,509)</u>
Net cash used in investing activities	<u>(256,846)</u>	<u>(220,615)</u>
Change in cash and cash equivalents	(173,836)	358,357
Cash and cash equivalents - beginning of year	<u>2,616,576</u>	<u>2,258,219</u>
Cash and cash equivalents - end of year	\$ <u>2,442,740</u>	<u>2,616,576</u>

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Music Teachers National Association, Inc. and Subsidiary (the "Association"), are set forth to facilitate the understanding of data presented in the consolidated financial statements.

Nature of operations

The Association advances the value of music study and music making to society and supports the professionalism of music teachers.

Principles of consolidation

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets of the Association, its former corporate entity, which has been renamed, MTNA Certification Program (Certification) and its wholly owned subsidiary, the American Classical Music Hall of Fame and Museum (ACMHOFM). All inter-organizational accounts and transactions have been eliminated.

Use of estimates

The presentation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial statement presentation

The Association is required to report information regarding its consolidated financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2022 and 2021, the Association did not have any net assets required to be maintained in perpetuity.

Functional allocation of expenses

The consolidated financial statements report certain categories of expenses that are attributable programs and supporting functions of the Association. Expenses are directly applied when applicable. Newsletters and mailings, membership retention, conferences, competitions, grants and awards, leadership summit and partnership development expenses are directly applied. All other expenses are allocated to programs or support services based on management's estimate of time and effort of individual employees and their related duties.

Income taxes

For federal tax purposes, Music Teachers National Association, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code but is subject to tax on its unrelated business income.

In addition, Music Teachers National Association, Inc. was formerly organized under Section 501(c)(6) of the Internal Revenue Code. All of the assets except \$50,000 were transferred from the 501(c)(6) organization, now named MTNA Certification Program, into the 501(c)(3) organization. MTNA Certification Program is used strictly for certification and its financial position and results of operations have been consolidated with the Association in these consolidated financial statements.

ACMHOFM is a tax exempt organization under the Internal Revenue Code Section 501(c)(3). ACMHOFM does not have net income from activities subject to the unrelated business income tax.

The Association's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Association's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Association believes their estimates are appropriate based on the current facts and circumstances.

Revenue recognition – contributions

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the net assets with donor restrictions classes.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Association reports gifts of long-lived assets as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Unconditional contributions are recorded when the promise to give is received. Contributions are recorded when the contribution is awarded, unless conditional by nature. There are no conditional promises to give at June 30, 2022 and 2021. Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Revenue recognition – exchange transactions

The Association derives exchange transaction revenue primarily from membership dues, subscriptions and advertising, conferences and competitions. These revenues are recognized when control of these products or services is transferred to its members and customers, in an amount that reflects the consideration the Association expects to be entitled to in exchange for those products and services. Incidental items that are immaterial in the context of the contracts are recognized as expense. The Association does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

Revenue from performance obligations satisfied at a point in time consists of subscription and advertising, conferences and competitions. Subscriptions and advertising are recognized at the time the service is provided or the advertisement is published. Customers are invoiced in the month of publication. Any subscription and advertising fees received ahead of the month of publication are non-refundable two months before publication. Revenue from conferences and competitions is generally recognized at the time the program or event takes place. Customers pay the contract amount in full at the time of purchase. Conference fees are non-refundable two months before the event, and competition fees are non-refundable at the time of purchase.

Revenue from performance obligations satisfied over time consists of membership dues. Members pay the contract amount in full at the time of purchase. Membership dues are non-refundable and are recognized as revenue ratably over the term of the one-year membership.

The following table disaggregates the Association’s revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Subscription and advertising	\$ 132,420	111,234
Conferences	237,065	322,127
Competitions	<u>122,928</u>	<u>144,680</u>
Revenue from performance obligations satisfied at a point in time	492,413	578,041
Revenue from performance obligations satisfied over time	<u>1,271,221</u>	<u>1,247,456</u>
Total	<u>\$ 1,763,634</u>	<u>1,825,497</u>

Cash received in advance is recorded on the consolidated statements of financial position as deferred revenue. Deferred revenue, which is considered a contract liability, of \$943,184 and \$855,657 at June 30, 2022 and 2021, respectively, consists of deferred membership dues, conference and competition fees and subscription and advertising fees.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for money markets held within its investment accounts.

Concentration of credit risk

The Association maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Allowance for doubtful accounts

The Association extends credit to various customers for use of mailing lists and advertising. On a periodic basis, the Association evaluates its accounts receivable and establishes an allowance, based on a history of past write-offs and collections and current credit conditions. All accounts receivable are deemed fully collectible by management. Therefore, no allowance for doubtful accounts is necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Dividends, interest income, realized and unrealized gains and losses on security transactions, unrealized gains or losses on investments and investment expenses are included as investment return, net in the consolidated statements of activities.

Property and equipment and depreciation

The Association capitalizes all property and equipment in excess of \$1,000. Property and equipment is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets which range from 3-7 years.

Reclassifications

Certain items from 2021 have been reclassified to conform to the current year presentation.

Subsequent events

The Association evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through August 23, 2022 the date on which the consolidated financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT:

Property and equipment at June 30 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 194,584	190,272
Leasehold improvements	90,009	90,009
Less accumulated depreciation	<u>(213,363)</u>	<u>(198,453)</u>
	<u>\$ 71,230</u>	<u>81,828</u>

3. RETIREMENT PLAN:

The Association offers a voluntary participation 401(k) retirement plan to its employees. All employees of the Association are eligible to participate in the Plan upon meeting certain eligibility requirements. The Association matches a certain percentage of the employee contributions. Total matching retirement contributions were \$18,750 and \$18,921 for the years ended June 30, 2022 and 2021, respectively.

4. PAYCHECK PROTECTION PROGRAM:

On January 26, 2021, the Association received a forgivable loan of \$133,453 under the Small Business Administration’s Paycheck Protection Program (PPP) Second Draw Loan. The loan had an interest rate of 1% and was originally due in January 2026. During fiscal year 2021, the Association incurred qualifying expenses in excess of the second loan amount and recognized the full amount of the second loan in contributions on the consolidated statement of activities for the year ended June 30, 2021. On September 3, 2021, the Association received official notice of forgiveness.

5. LEASES:

In July 2020, the Association entered into an escalating lease agreement for certain office space through December 2027. A liability of \$25,146 associated with this lease is included in accrued expenses at June 30, 2022.

Total rent expense including common area maintenance and utilities charges for the years ended June 30, 2022 and 2021 was \$101,792 and \$103,316, respectively. The Association is leasing certain office equipment under operating leases that have various expiration dates through June 2026. Total lease expense for the years ended June 30, 2022 and 2021 was \$8,639 and \$8,638, respectively.

The future minimum lease payments for the office lease and office equipment at June 30 are as follows:

2023	\$ 62,876
2024	63,966
2025	64,584
2026	59,956
2027	58,741
Thereafter	<u>29,963</u>
	<u>\$ 340,086</u>

6. NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED:

As of June 30, 2022 and 2021, the Board has designated \$1,629,833 and \$1,908,367, respectively, of net assets to be used for competition awards for students and other purposes.

7. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2022</u>	<u>2021</u>
Teacher enrichment grants	\$ 560,202	626,847
Local association grants	21,130	22,925
Other	<u>531,446</u>	<u>539,960</u>
	<u>\$ 1,112,778</u>	<u>1,189,732</u>

8. ENDOWMENT FUNDS:

Generally accepted accounting principles require that net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Association's endowment consists of several funds established to provide student awards, association grants and teacher enrichment grants. Its endowment consists of board-designated funds. The board designated endowment had a balance of \$1,629,833 and \$1,908,367 at June 30, 2022 and 2021, respectively. Changes in endowment net assets are as follows for the years ended June 30:

	2022 Without Donor <u>Restrictions</u>	2021 Without Donor <u>Restrictions</u>
Endowment net assets at beginning of year	\$ 1,908,367	1,599,244
Interest and dividend income	92,387	49,325
Realized and unrealized gain (loss) on investments	(389,626)	308,359
Contributions	27,281	21,715
Appropriation of endowment assets for expenditure	-	(61,863)
Investment fees	<u>(8,576)</u>	<u>(8,413)</u>
Endowment net assets at end of year	<u>\$ 1,629,833</u>	<u>1,908,367</u>

Return objectives and risk parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth of income and principal without undue exposure to risk. The return objective shall be accomplished using a balanced strategy of fixed income, equities, mutual funds and cash equivalents in a mix that is conducive to participation in rising markets while allowing for adequate protection in falling markets. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index, Russell Mid Cap Index, Russell 2000 Index, and Morgan Stanley EAFE Index.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Association has a policy of appropriating for distribution each year five percent of the endowment fund's average fair value over 12 quarters. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Association elected to appropriate \$61,863 during the year ended June 30, 2021. The Association elected to not make any appropriations during the year ended June 30, 2022.

9. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on investments consisting of money market funds, mutual funds and equities are based on the Level 1 market approach. Investments in fixed income instruments that are not quoted on an exchange, but are traded in active markets, are valued on Level 2 inputs using pricing obtained from our custodians, which use third-party data source providers.

The following tables present the Association's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2022 and 2021.

Fair Value Measurements at Reporting Date Using:

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 486,294	486,294	-	-
Mutual funds:				
Diversified emerging	189,702	189,702	-	-
Large blend	165,113	165,113	-	-
Large value	175,269	175,269	-	-
Mid-cap value	158,593	158,593	-	-
Foreign large growth	187,467	187,467	-	-
Foreign large blend	181,728	181,728	-	-
World bond-USD hedged	135,346	135,346	-	-
World large stock	219,795	219,795	-	-
Intermediate term bond	504,667	504,667	-	-
Intermediate core-plus bond	207,992	207,992	-	-
Allocation – 50%-70% equity	413,526	413,526	-	-
Options trading	275,667	275,667	-	-
Short term bond	321,588	321,588	-	-
Small value	<u>176,220</u>	<u>176,220</u>	-	-
	<u>\$ 3,798,967</u>	<u>3,798,967</u>	<u>-</u>	<u>-</u>

Fair Value Measurements at Reporting Date Using:

<u>June 30, 2021</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 436,346	436,346	-	-
Mutual funds:				
Diversified emerging	233,724	233,724	-	-
Large growth	199,889	199,889	-	-
Large value	195,265	195,265	-	-
Mid-cap growth	198,479	198,479	-	-
Foreign large growth	457,429	457,429	-	-
World bond-USD hedged	151,684	151,684	-	-
World large stock	272,656	272,656	-	-
Intermediate term bond	530,244	530,244	-	-
Intermediate core-plus bond	303,522	303,522	-	-
Allocation – 50%-70% equity	620,674	620,674	-	-
Large blend	197,950	197,950	-	-
Short term bond	265,815	265,815	-	-
Small value	<u>197,161</u>	<u>197,161</u>	-	-
	<u>\$ 4,260,838</u>	<u>4,260,838</u>	<u>-</u>	<u>-</u>

10. LIQUIDITY DISCLOSURES:

The Association is substantially supported by earned revenue. The Association also receives contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in investments as deemed appropriate. The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,442,740	2,616,576
Investments, at fair value	3,798,967	4,260,838
Accounts receivable	<u>18,910</u>	<u>28,530</u>
Financial assets available at year-end	<u>6,260,617</u>	<u>6,905,944</u>
Less those unavailable for general expenditures within one year due to:		
Investments held with donor restrictions	<u>1,112,778</u>	<u>1,189,732</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,147,839</u>	<u>5,716,212</u>

11. CONFERENCE CANCELLATION:

The Association cancelled the in-person conference in March 2022 and moved to a virtual event. Due to the cancellation, the Association incurred a cancellation fee of \$464,868. A portion of this cancellation fee was allowed to be used as a credit towards a future event. The Association has recognized \$326,323 of expense related to the cancellation in the consolidated statement of activities for the year ended June 30, 2022. The remaining \$138,545 is recognized as a deposit towards the 2025 conference and is included within deposits on the consolidated statement of financial position as of June 30, 2022.

12. RECENT ACCOUNTING PRONOUNCEMENTS:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Association's year ending June 30, 2023.

The Association is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

13. RISKS AND UNCERTAINTY:

On March 11, 2020 the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has caused business disruption through closings of offices, cancellation of special events and significant fluctuations in stock market indices. The extent of the impact of COVID-19 pandemic on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the pandemic.

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2022

	<u>Association</u>	<u>Certification</u>	<u>ACMHOFM</u>	<u>Elimination</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 2,286,550	128,959	27,231	-	2,442,740
Investments, at fair value	3,745,303	53,664	-	-	3,798,967
Accounts receivable	18,910	30,907	163	(31,070)	18,910
Prepaid expenses	52,406	452	-	-	52,858
Property and equipment, net	71,230	-	-	-	71,230
Deposits	<u>143,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,311</u>
 Total assets	 \$ <u>6,317,710</u>	 <u>213,982</u>	 <u>27,394</u>	 <u>(31,070)</u>	 <u>6,528,016</u>
 Liabilities and net assets:					
Liabilities:					
Accounts payable	\$ 87,001	-	-	(31,070)	55,931
Accrued expenses	113,899	-	-	-	113,899
Deferred revenue	<u>943,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>943,184</u>
 Total liabilities	 <u>1,144,084</u>	 <u>-</u>	 <u>-</u>	 <u>(31,070)</u>	 <u>1,113,014</u>
 Net assets:					
Without donor restrictions	4,060,848	213,982	27,394	-	4,302,224
With donor restrictions	<u>1,112,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,778</u>
 Total net assets	 <u>5,173,626</u>	 <u>213,982</u>	 <u>27,394</u>	 <u>-</u>	 <u>5,415,002</u>
 Total liabilities and net assets	 \$ <u>6,317,710</u>	 <u>213,982</u>	 <u>27,394</u>	 <u>(31,070)</u>	 <u>6,528,016</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2021

	<u>Association</u>	<u>Certification</u>	<u>ACMHOFM</u>	<u>Elimination</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 2,462,985	123,478	30,113	-	2,616,576
Investments, at fair value	4,198,434	62,404	-	-	4,260,838
Accounts receivable	28,896	27,421	-	(27,787)	28,530
Prepaid expenses	61,801	430	-	-	62,231
Property and equipment, net	81,828	-	-	-	81,828
Deposits	<u>12,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,703</u>
 Total assets	 \$ <u>6,846,647</u>	 <u>213,733</u>	 <u>30,113</u>	 <u>(27,787)</u>	 <u>7,062,706</u>
 Liabilities and net assets:					
Liabilities:					
Accounts payable	\$ 45,260	-	366	(27,787)	17,839
Accrued expenses	110,125	-	-	-	110,125
Deferred revenue	<u>855,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>855,657</u>
 Total liabilities	 <u>1,011,042</u>	 <u>-</u>	 <u>366</u>	 <u>(27,787)</u>	 <u>983,621</u>
 Net assets:					
Without donor restrictions	4,645,873	213,733	29,747	-	4,889,353
With donor restrictions	<u>1,189,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,189,732</u>
 Total net assets	 <u>5,835,605</u>	 <u>213,733</u>	 <u>29,747</u>	 <u>-</u>	 <u>6,079,085</u>
 Total liabilities and net assets	 \$ <u>6,846,647</u>	 <u>213,733</u>	 <u>30,113</u>	 <u>(27,787)</u>	 <u>7,062,706</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2022

	Association			Certification	ACMHOFM	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	
Revenues:						
Membership dues	\$ 1,271,221	-	1,271,221	-	-	1,271,221
Subscription and advertising	132,420	-	132,420	-	-	132,420
Conferences	237,065	-	237,065	-	-	237,065
Competitions	122,928	-	122,928	-	-	122,928
Contributions	174,978	56,319	231,297	-	1,425	232,722
Other	59,968	-	59,968	86,543	3	146,514
Management fee	65,000	-	65,000	(65,000)	-	-
Investment return, net	(391,807)	(133,273)	(525,080)	(8,458)	-	(533,538)
	<u>1,671,773</u>	<u>(76,954)</u>	<u>1,594,819</u>	<u>13,085</u>	<u>1,428</u>	<u>1,609,332</u>
Expenses:						
Program	1,912,751	-	1,912,751	9,627	2,836	1,925,214
Management and general	271,154	-	271,154	2,567	756	274,477
Fundraising	72,893	-	72,893	642	189	73,724
	<u>2,256,798</u>	<u>-</u>	<u>2,256,798</u>	<u>12,836</u>	<u>3,781</u>	<u>2,273,415</u>
Change in net assets	(585,025)	(76,954)	(661,979)	249	(2,353)	(664,083)
Net assets:						
Beginning of year	<u>4,645,873</u>	<u>1,189,732</u>	<u>5,835,605</u>	<u>213,733</u>	<u>29,747</u>	<u>6,079,085</u>
End of year	<u>\$ 4,060,848</u>	<u>1,112,778</u>	<u>5,173,626</u>	<u>213,982</u>	<u>27,394</u>	<u>5,415,002</u>

Music Teachers National Association, Inc. and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2021

	<u>Association</u>			<u>Certification</u>	<u>ACMHOFM</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>	
Revenues:						
Membership dues	\$ 1,247,456	-	1,247,456	-	-	1,247,456
Subscription and advertising	111,234	-	111,234	-	-	111,234
Conferences	322,127	-	322,127	-	-	322,127
Competitions	144,680	-	144,680	-	-	144,680
Contributions	142,616	267,441	410,057	-	1,790	411,847
Other	72,948	-	72,948	94,587	4	167,539
Management fee	63,350	-	63,350	(63,350)	-	-
Investment return, net	541,672	211,830	753,502	12,199	-	765,701
Net assets released from restrictions	159,370	(159,370)	-	-	-	-
	<u>2,805,453</u>	<u>319,901</u>	<u>3,125,354</u>	<u>43,436</u>	<u>1,794</u>	<u>3,170,584</u>
Expenses:						
Program	1,489,039	-	1,489,039	8,990	4,176	1,502,205
Management and general	283,436	-	283,436	2,397	1,114	286,947
Fundraising	71,859	-	71,859	599	278	72,736
	<u>1,844,334</u>	<u>-</u>	<u>1,844,334</u>	<u>11,986</u>	<u>5,568</u>	<u>1,861,888</u>
Change in net assets	961,119	319,901	1,281,020	31,450	(3,774)	1,308,696
Net assets:						
Beginning of year	<u>3,684,754</u>	<u>869,831</u>	<u>4,554,585</u>	<u>182,283</u>	<u>33,521</u>	<u>4,770,389</u>
End of year	\$ <u>4,645,873</u>	<u>#####</u>	<u>5,835,605</u>	<u>213,733</u>	<u>29,747</u>	<u>6,079,085</u>

